

A Homeland Strives to Stand Alone

South Africa's Qwa Qwa Shows Quandaries of Apartheid

By Alan Cowell
New York Times Service

PHUTHADITJHABA, South Africa — The white-painted mansions that straddle the hill, like moored ocean liners, would not look out of place in Hollywood. The slums that nestle below them might also find a place there, in the script of a movie about poverty.

The people who live on the hill, behind a flood-lighted security fence, are the government officials, and the people below them are those whose names they exercise the limited self-rule accorded to Qwa Qwa, South Africa's smallest and most overcrowded homeland.

Nearby, there is a second hill, with a fenced-off compound for white administrators. The shanties curl between the two, with the symmetry envisioned by those who design apartheid.

The people on the first hill have been criticized for the grand scale of their homes. But, in conversations affected by low expectations and fear of authority, some of those living in the shadows seem circumspect in their assessment of those living above.

"After all, it is only a hostel," said a salesman at Makela & Sons General Dealers, where those with cash can buy blankets, canned sardines, beef, panty hose and knives. "When he has finished the job," the salesman said of Qwa Qwa's chief minister, T.K. Mopeli, "he will have to move out."

The comparison, drawn wryly

and with half a smile, was with the barracks-like hostels inhabited by black men without their families in South Africa's cities and whose tenure lasts as long as they are needed to power the economy.

"Somehow," the salesman said, gesturing toward a mansion said to have 40 rooms, "I do not think he will want to leave the job when he has lived in a hostel like that one."

Qwa Qwa, with half a million people on 200 square miles (516 square kilometers) of rocky land pressed against the walls of the Drakensberg Mountains, represents one conclusion to the grim logic of apartheid, or racial and ethnic separation. It is the homeland set aside for people who speak the South Sotho language, representing 9 percent of South Africa's 20 million blacks.

The land allotted to them represents four one-hundredths of 1 percent of the area within South Africa's traditional frontiers. Many people who speak South Sotho still live in "white" South Africa, or in a place called Overwecht, a large resettlement center for South Sotho speakers. But Qwa Qwa, with its village capital, Phuthaditjhaba, is nonetheless crowded.

Under a blanket of yellow-brown smoke from the coal fires of Africa's winter, it is fixed between mountain and plain, with houses of brick and tin and clay tumbling atop one another in higgledy-piggledy intimacy.

The land alone, it has been esti-

mated, could sustain about 1,000 people. When the homeland was created in 1970, it already housed 23,000 people.

It is a place that illustrates the quandaries of apartheid for black people.

The minister of finance, M.G. Mohale, said that Qwa Qwa did not want "independence," because it would entail the loss of South African citizenship for all South Sotho-speaking people, but Qwa Qwa had accepted homeland status.

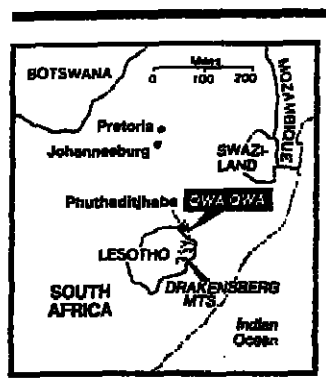
"That is not to say that we like it or asked for it," he said, "but we felt it would be better for us to act within the system to represent our people. Now we can say what we like to the central government, we can make our own budgetary estimates and ask for what we want."

But according to the minister of education, R.D.H. Mopeli, those requests are not always heeded.

In the last few years, Mr. Mohale said, 100 industries have been set up in Qwa Qwa, providing some jobs. The education minister said 70,000 children were now in school, and there were 3,000 teachers.

There is, Mr. Mohale said, the stirring of democracy in the Legislative Assembly, with 40 seats nominated by tribal chiefs and 20 elected positions, all held by the chief minister's Dikwankwena Party.

The party's name, Mr. Mohale said, denotes "very strong people, educationally, spiritually and otherwise." But there are other perspectives.



A security fence surrounds the houses of government ministers in the South African homeland of Qwa Qwa. Children, left, stand outside their families' tin shacks.

"When we became a government, we decided on the houses," Mr. Mohale said. "Some of the people do criticize and say the government is spending a lot of money when there are other priorities. But I think it was wise to put up houses like that because, even after 100 years, they will still be suitable."

Each of the eight ministers has one of the mansions, and a Mercedes-Benz sedan to go with it. The symbols of elitism of much of the Third World have thus been transposed here within a few years.

Like the other national states, Qwa Qwa is acknowledged only by South Africa, its creator and the force on which it is totally dependent. Most of the people, Mr. Mohale said, came here from farms and other places in the Orange Free

State and, he asserted, are happier. Such happiness, however, is relative, for it is defined by comparison to greater miseries.

"Here it is better than when I was on the farm," said David Lebana, 24. "It is better because I can build my house and stay on it until I die. At the farm, when the boss does not need me anymore, I can be thrown out."



WEST GERMAN PRESIDENT — Richard von Weizsäcker, 64, former mayor of West Berlin, took the oath of office Sunday in Bonn as West Germany's new president. With him at the ceremony before a joint session of the West German Parliament were Franz Josef Strauss, right, Bundesrat president; Rainer Barzel, third from right, Bundestag president, and Helmut Schellhake, third from right, Bundestag director.

Iraq Claims It Destroyed 5 Ships, Iran Jet in Gulf

New York Times Service

BAGHDAD — Iraqi jets destroyed five ships headed for an Iranian port on Sunday, a military spokesman said here.

Details of the reported attack on a convoy heading toward Bandar Khomeini and confirmation of the damage to the ships were not immediately available.

The Iranians scrambled aircraft to meet the attack and the Iraqis shot down an Iranian F-14 fighter, according to the military spokesman.

The Iraqi announcement, which broke into regular radio programming, added that two more ships, trying to flee the attack, ran into a mine field and were damaged.

The attack would be the second Iraqi strike against shipping in the Gulf since the Iranian oil terminal of Kharg Island in a week.

On Wednesday, Iraqi jets struck at the Swiss-operated, 26,000-ton tanker Tiburon, apparently hitting the engine room. Eight crewmen were killed.

Salvage tugs are trying to tow the ship, flying the Liberian flag, to Bahrain.

Iraq has declared an "exclusion zone" around Kharg Island in the latest step of the 45-month-old Gulf war.

The Iraqi naval commander, Commodore Abed Mohammed Abdullah, said in an interview in the official press that Iraqi forces had struck about 170 targets in the Gulf since the beginning of hostilities and now maintained what he said was full control over the area.

The brief radio announcement said that the attack had occurred near the Kahr Musa channel.

"Our forces spotted a convoy of ships heading for Bandar Khomeini this morning and attacked," it said. "Five targets were hit effectively and destroyed."

Black smoke was rising over the other two ships that had run into mines, the announcement said.

Although there was no further description of the ships, the destination and the formation suggested that they may have been cargo vessels bringing goods to Bandar Khomeini.

If the report of the downing of the Iranian F-14 proves correct, it will be a blow to Ayatollah Ruhollah Khomeini's forces, which are

reported to have only five functional F-14's left and to be running low on spare parts.

Fire Under Control

Firefighters extinguished Saturday most of the fire burning on the Tiburon since Wednesday, a spokesman for the Dutch salvaging company Smit International said in Rotterdam, United Press International reported from Abu Dhabi.

The crew members killed were said to be seven Spaniards and a West German.

Assad Exiles His Brother, Paper Reports

The Associated Press

LONDON — President Hafez al-Assad of Syria has started a purge to reinforce his authority by sending his brother and other top army officers into temporary or permanent exile abroad, London's Sunday Observer has reported.

Those sent out of the country include the second vice president, Rifaa al-Assad, commander of the Defense Brigades, a reinforced division of 25,000 soldiers who have traditionally guarded the city, and Mr. Rifaa's rivals, General Ali Haydar, head of the Special Forces, and General Shafiq Fayyadh, commander of the 3d Armored Division, the newspaper said. There was no independent confirmation of the report.

The Observer said the units involved came close to dragging Syria into civil war this year when their commanders were squabbling and President Assad had to intervene.

The Observer said the rivals and 60 other officers and officials were sent to Moscow on May 28, ostensibly for talks with Soviet leaders.

It is now clear the trip was a cover for disciplinary action against the troublemakers," the Observer said. It said that officials such as Foreign Minister Farouk al-Sharaa returned home after the talks but that the principal army commanders did not.

"Rifaa and his supporters are in Geneva, while Generals Haydar and Fayyadh cool their heels in Sofia, Bulgaria," the newspaper said.

The weekly said President Assad has also instructed military transfers and postings to strip some army chiefs of their supporters and power.

The paper said "a parallel reshuffle in the administration and higher ranks" of the ruling Ba'ath Party was expected to follow.

New Engine Set For Troubled Space Shuttle

New York Times Service

CAPE CANAVERAL, Florida — Technicians have failed to pinpoint the cause of an abrupt engine shutdown aboard the space shuttle Discovery and the space agency has decided to replace an entire engine, delaying the flight until at least mid-July.

The National Aeronautics and Space Administration said the engine change would begin Monday and that announcement of a new launch date would be made later this week.

A NASA official said the agency had not yet determined how the postponement would affect subsequent shuttle missions this year and in 1985.

The \$1.2-billion Discovery failed to get away on its planned Sunday mission Tuesday when a fuel valve in one of its engines apparently did not open properly.

Lebanon Plan Accepted by Christians

Reuters

BEIRUT — Lebanon's main Christian militia joined the country's two major Muslim militias on Sunday in accepting a cabinet peace plan for a Lebanese Army takeover of Beirut, which is expected later this week.

Final details of the plan, designed to end 10 months of sectarian fighting and five months of battles within the capital, are due to be submitted for government approval Wednesday and possibly implemented the same day.

Despite the gathering peace momentum, shelling of residential districts by both sides continued Sunday and sporadic clashes with mortar, tank and grenade fire were reported on some sectors of the Green Line dividing Beirut.

Earlier Sunday, a spokesman for the Shiite militia chief and cabinet minister, Nabih Berri, said he had ordered men of his Amal militia to prepare to remove their big guns from the city once the army units have taken over.

Mr. Berri's militia and the mainly Druze Progressive Socialist Party of Walid Jumblatt, another cabinet minister, jointly control West Beirut.

On Saturday, the Druze militia withdrew a token number of heavy weapons from the capital to their mountain strongholds above Beirut.

Acceptance of the peace plan by the Christian Lebanese Forces militia came in a statement by its commander, Fadi Frem.

"We will accept the deployment of the army in East Beirut on condition that a similar and simultaneous deployment takes place in West Beirut," he told the Central News Agency.

It was Mr. Frem's first public comment on the plan since he returned from a visit to the United States on June 25.

The national unity cabinet of Muslim and Christian leaders approved a wide-ranging peace package on June 23.

Mr. Frem's force is the armed wing of the Lebanese Front coalition headed by the Christian party leaders, Pierre Gemayel and Camille Chamoun.

Both are cabinet ministers and have committed Christian forces to the peace plan.

Mr. Frem's silence had caused concern that his militia might defy the traditional Christian leaders and refuse to lower its defenses around East Beirut.

Amal and the Progressive Socialist Party have fought on the Green Line against the Lebanese Forces militia controlling Christian East Beirut since February.

Beirut Radio said Sunday that all details had been made final and accepted by the rival groups. Two reintegrated army brigades of Christian and Muslim troops would start taking over militia positions at the end of the week.

Israel Still Holds Passengers

Israel is still holding nine passengers detained after its gunboats intercepted a Beirut-bound ferry in the Mediterranean on Friday and ordered it into the northern Israeli port of Haifa, Reuters reported from Tel Aviv.

A Foreign Ministry official said Sunday that the nine—eight Lebanese and a Syrian—would probably be released soon.

Asked about the purpose of their interrogation, he referred to a Foreign Ministry statement on Saturday that said the ferry was intercepted as part of Israel's war on terrorism.

Lava Spews From Kilanea

The Associated Press

VOLCANO, Hawaii — Kilanea Volcano erupted Saturday in 1,500-foot (470-meter) lava fountains visible in Hilo 65 miles (100 kilometers) away, an observer said.

WORLD BRIEFS

Police Battle Anti-U.S. Protesters

NOTTINGHAM, England (Reuters) — Hundreds of anti-nuclear demonstrators broke into a British Army depot Sunday to protest U.S. use of part of the base, the Defense Ministry said. Ten people were arrested and 80 detained, the ministry said.

Part of the base has been leased to the U.S. Army as a transport depot. Protesters say parts for cruise missiles will be stored there, an assertion denied by both Britain and the United States.

[In Giessen, West Germany, police fought Saturday with anti-U.S. protesters who threw themselves in front of tanks, disrupting a U.S. Army parade to celebrate the U.S. independence day, July 4. Four policemen were hurt and one protester was arrested, according to United Press International.]

25 Leave Bonn Mission in East Berlin

BERLIN (AP) — Twenty-five East Germans have left the West German mission in East Berlin after receiving assurances from the Communist authorities that their applications for emigration would be processed and that they would not be punished, the Bonn government announced. But informed sources said Sunday that 30 more remained in the mission.

The group of 25 left Friday. The remaining 30 said they wanted guarantees from the East German authorities that they would be allowed to go to West Germany, but the sources said there was no immediate prospect for resolving the standoff.

Heinrich Wunden, the West German minister of inter-German relations, was quoted in a newspaper in

Ruiz Mateos Seeks Political Asylum

FRANKFURT (Reuters) — José Maria Ruiz Mateos, a Spanish financier who is facing fraud charges in Spain, is seeking political asylum in West Germany, his lawyer said Sunday.

Mr. Ruiz Mateos, former head of the Rumasa business empire that was taken over by the Spanish government in February 1983 to prevent its collapse, was arrested at the Frankfurt airport in April. He has been in custody since then, pending decision on an extradition request by Spain.

His lawyer, Norbert Wagner, said that Mr. Ruiz Mateos was seeking asylum on the ground that the proceedings against him in Spain were politically motivated. Bonn has an extradition treaty with Madrid.

U.S. Studies UNESCO Reform Effort

ABIDJAN, Ivory Coast (NYT) — A Reagan administration official said that the U.S. decision to withdraw from UNESCO had led to the first "serious effort toward reform" of the organization.

Gregory J. Newell, assistant secretary of state for international organizations, said Saturday that if changes within the agency were made to the Reagan administration's satisfaction, "we will return to UNESCO." His statement suggested a more optimistic position than has been voiced in the past on U.S. participation.

U.S. withdrawal from the United Nations Educational, Scientific and Cultural Organization is scheduled for the end of the year. The Reagan administration said it was leaving because of what it termed UNESCO's politicization and inefficiency. The agency receives 25 percent of its \$374.5-million budget from the United States.

Berlin Philharmonic Threatens Strike

BERLIN (AP) — A longstanding dispute between the musicians of the Berlin Philharmonic and its conductor, Herbert von Karajan, worsened Sunday when the orchestra threatened to cancel an August concert in Salzburg unless the maestro explained his stand in a dispute over hiring new orchestra members.

Relations between the 116-member orchestra and its conductor have been stormy for 18 months, dating from the day a clarinetist was hired without the musicians' approval. Traditionally, the orchestra has been allowed to vote on new members.

The orchestra began its summer recess Sunday and the next performance under Mr. Karajan was scheduled for Aug. 24 at the annual summer music festival in Salzburg.

Earthquakes Strike Suburb of Naples

POZZUOLI, Italy (AP) — Two strong earthquakes struck this Naples suburb Sunday, causing the partial collapse of a three-story building and damaging scores of other structures, government officials said.

There were no immediate reports of injuries, according to civil defense workers. They said they thought the partially collapsed building was empty.

Pozzuoli has been afflicted for more than a year by continuing earthquakes, which have caused the temporary evacuation of some areas.

2 Nations Assail Japanese Textbooks

TOKYO (Reuters) — China and South Korea complained Sunday that revisions of Japanese school textbooks that they said earlier had glossed over Japanese atrocities in World War II were not enough. Japan briefed the two countries on the changes and released the books Sunday, the Kyodo News Service said.

Japan agreed to revise the books after protests from the Beijing and Seoul governments in 1982. China complained, among other things, that the Japanese Education Ministry would not permit any reference to Japanese forces conducting an "invasion" of China in 1937 and used the word "advance" instead. But the official Xinhua news agency said Sunday that "advance" was still being used.

In Seoul, the Yonhap News Agency quoted a Foreign Ministry official as saying that eight changes had been made but said South Korea wanted further revisions.

U.K. Miners Accused of Intimidation

LONDON (Reuters) — The British government accused striking coal miners Sunday of intimidating colleagues wanting to work and pledged to bring those responsible to justice.

"Thuggery of this kind has nothing to do with legitimate industrial action," Home Secretary Leon Brittan told Conservative Party supporters in Yorkshire, in northern England. "It is crime." He said that the police had made 94 arrests for intimidation.

The American chairman of the National Coal Board, Ian MacGregor, said in a radio interview that he thought the intimidation was orchestrated, partly by the National Union of Mineworkers. But the miners' leader, Arthur Scargill, speaking on the same program, dismissed the accusation as nonsense, and said the government was using police to intimidate striking miners. The strike, over the closure of pits and the loss of thousands of jobs, enters its 17th week Monday.

U.S. Jails Former Mexico City Official

MEXICO CITY (UPI) — The former Mexico City police chief, Arturo Durazo Moreno, has been arrested in Puerto Rico by the Federal Bureau of Investigation and will be extradited to Mexico, where he is wanted on tax evasion and other charges, a U.S. spokesman said.

Mr. Durazo, 61, police chief from 1976 to 1982 under former President José López Portillo, is sought for tax evasion and illegal possession of weapons, but also has been linked to widespread government corruption, assassinations and drug trafficking. During his six-year term as police chief, Mr. Durazo built several luxurious homes in Mexico and Canada.

Mr. Durazo, who left Mexico at the end of the López Portillo administration, was arrested Friday by FBI agents and U.S. marshals as he attempted to clear customs at the San Juan, Puerto Rico, airport, where he had arrived on a private plane from São Paulo.

For the Record

A Latvian Jewish dissident was sentenced to three years in prison by a Riga court for spreading lies about the Soviet Union, according to Tass. The dispatch called him inhuman for wanting to emigrate. (Reuters)

China's Communist Party marked its 63rd anniversary Sunday by stressing political unity and calling on members to disavow its ultra-leftist past. (Reuters)

More than 300,000 North Koreans turned out Sunday to welcome President Kim Il Sung, 72, back from a one-and-a-half-month tour of the Soviet Union and seven East European nations at a Pyongyang broadcast reported. He made the journey by train. (AP)

The Sri Lankan president, J. R. Jayewardene, and Prime Minister Indira Gandhi met for more than two hours Sunday at India's presidential palace in New Delhi to exchange views on the island nation's ethnic problems. (UPI)

Two North Africans and an Iranian have been jailed in Lille, France, on suspicion of spying for Iran, court sources said Sunday. The three, all Shiite Muslims, were expelled from Britain after being arrested May 3. (AP)

A trade union leader, Len Murray, 61, collapsed and was hospitalized Sunday in Tolpuddle, England, after leading a march honoring the Tolpuddle Martyrs 150 years after their failed attempt to form a labor union. (AP)

A U.S. court of appeals in Washington refused this weekend to grant a stay that would prevent the government-sanctioned killing of 22,000 fur seals scheduled to begin in Alaska's Pribilof Islands Monday. Animal welfare groups say the hunt would violate three laws that protect marine mammals. (AP)

NINA RICCI

Before the presentation of the Autumn Collection

SALES of the Spring Collection Models

Boutique Accessories Hats

Wednesday July 4

from 10:00 a.m. to 6:30 p.m.

39, Avenue Montaigne

UNIVERSITY DEGREE For Life, Academic & Work Experience

PACIFIC WESTERN UNIVERSITY

سكيا في الامم

AMERICAN TOPICS

Now, Dial-a-Soap For Missed Episodes

For those who miss an episode of their favorite TV melodrama, now there is Dial-a-Soap — daily tape-recorded summaries of soap operas.

A professional team of soap opera watchers keeps track of each breathless episode and files 30- to 90-second briefs that — liberally laced with ads — are narrated in the exclamation-pointed voice of a female "Voice of Dial-a-Soap." The service, which so far has not spread out of the Washington area, draws 3,000 to 3,600 calls, according to the organizers.

Advertisers pay \$300 a week to have their messages sandwiched between the summaries.

Mailboxes Abuzz With Busy Signals

For years, Ma Bell's competitors in the long distance market labored under a major disadvantage: to use their service, a customer first had to dial an array of digits that ranged in length from Social Security numbers to automobile serial numbers. Soon, Charleston, West Virginia, will be relieved of this, but other problems have cropped up, like complaints about the volume of junk mail advertising the various services.

On July 15, Charleston customers will become the first to simply dial "11" and connect with either American Telephone & Telegraph or competing long-distance companies, another step under the court-ordered phone system breakup.

Customers select which company will become their long-distance carrier, and the race is on. AT&T is building on what it hopes to be loyalty to Ma Bell, while rivals such as MCI and GTE Sprint are offering cheaper calls and blocks of free time.

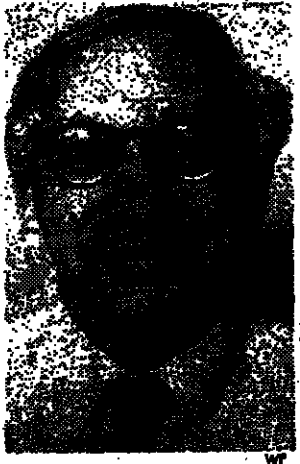
Notes on People

As an author, academician and envoy, 71-year-old Edwin O. Reischauer has several facts to his credit, including the fact that he was the first American ambassador to Japan who actually spoke Japanese. He long advocated a greater understanding of Japan and its culture as well as an American policy toward Asia that draws on the results of scholarly research. Now his name is about to grace a major new Far East studies center. The Johns Hopkins University School of Advanced International Studies in Washington is planning a \$5-million endowment for the Reischauer Center, where a new generation of Americans will learn the history, language, economics, politics and foreign policies of Japan, China and Southeast Asian nations.

Rosemary Clapham of Austin, Texas, has the kind of hobby that allows her to be rolling in dough and surrounded by men. The men are of the gingerbread-shaped variety, and Mrs.

Clapham is president of the National Cookie-Cutter Collectors Club, a 600-member organization. Mrs. Clapham's collection of 3,000 cookie cutters includes those in the shape of states, animals, cars, trucks, stars, cartoon characters, letters and numbers. The oldest models are worth up to \$50, although some rare Pennsylvania Dutch cutters can fetch \$200.

"I think it's a mistake to tell people they have to have good news and we're willing to give it to them," said Howard A. Simons, 55, The Washington Post's managing editor who is to become the new curator of Harvard University's Nieman Foundation this fall. He describes himself as a First Amendment zealot who feels newspaper readers prefer hard news to fluff. Mr. Simons said he hopes to impress his views on the dozen or so mid-career jour-



Howard A. Simons.

nalists who are accepted for a year of unrestricted study. "I think the public wants us to do more, not less; wants more news, not less; wants us to investigate government more, not less; wants us to pursue dishonest people more, not less," he added.

The managing director of the National Anti-Vivisection Society, George Trapp, sees it as a logical outgrowth of the struggle for human rights, but whatever the reason, the centuries-old battle to protect animals is experiencing a radical new direction. In his-and-run raids, groups with names such as the Animal Liberation Front, the Band of Mercy and the Urban Guerrillas have "liberated" research animals and broken into laboratories to steal records. Others pursue legal means to press for changes in laws and regulations. After intruders broke into a University of Pennsylvania laboratory in late May, the clash of ideas was defined by Barry Cooperman, the university's vice provost for research, who said: "The first question is whether it is ethical to experiment on animals for the benefit of humans. As scientists, we say that it is. Our opponents say it is not. With them, there is simply no middle ground."

Judge Suggests Letting Addicts Kill Themselves

By Al Kamen

WASHINGTON — A U.S. district court judge, frustrated over long-standing problems in dealing with drug addiction, has suggested that one answer to drug abuse would be to legalize heroin for addicts and "just let [them] kill themselves."

Judge William B. Bryant made the suggestion during a sentencing hearing June 19 for a Washington woman who pleaded guilty to obtaining the narcotic drug Percocet by using a forged prescription.

Mr. Bryant, who has served about 20 years on the bench, declined to send the woman to jail. He said she had been before courts in the past and "all to no avail."

"The only answer is that she be able to get whatever she's addicted to — that's the answer — without resorting to crime," he said, according to a court transcript. "It's like these heroin addicts in the street. If they could get their heroin without stealing and robbing somebody, that would be the answer."

"You eliminate organized crime, you eliminate corruption, and you just let somebody kill themselves, like you let these whiskey drinkers drink themselves to death, these smokers smoke themselves to death. I don't see the difference. Take the profit out of it, and you don't have all this other business, crowded court dockets, congested prisons, merchants who can't have their goods on display, and people who can't leave their homes over a couple of hours before they get robbed, and can't go out at night before they get their pocketbook snatched — all for the sake of trying to keep somebody who's addicted from getting what he's addicted to. I don't understand that. I don't know anybody else she's hurting."

Mr. Bryant ordered the 29-year-old woman placed on probation with the condition that she continue in a program for addicts that requires participants to be drug-free.

■ Mrs. Reagan Joins Fight
Nancy Reagan shared her husband's



Walter F. Mondale listened at the National Organization for Women convention in Miami Beach as the group's president, Judy Goldsmith, at microphone, urged a woman as his running mate in November. Three of Mr. Mondale's

key female supporters — Representatives Barbara B. Kennelly, far left; Mary Rose Oakar, second from right, and Barbara A. Mikulski, right — have already endorsed Representative Geraldine A. Ferraro for the Democratic ticket.

3 Key Mondale Backers Urge Choice of Ferraro

By Bill Peterson

WASHINGTON Post Service
MIAMI BEACH — Three of Walter F. Mondale's key women supporters endorsed Representative Geraldine A. Ferraro, Democrat of New York, for his vice presidential running mate as hundreds of women greeted Mr. Mondale at the National Organization for Women convention chanting: "Run with a woman. Win with a woman."

Representative Barbara A. Mikulski of Maryland told the highly charged convention Saturday that she, Representative Barbara B. Kennelly of Connecticut and Representative Mary Rose Oakar of Ohio had decided to unite behind Mrs. Ferraro for the vice presidential

"Don't call her baby, call her congresswoman," Miss Mikulski said, adding: "Don't call her baby, call her vice president."

Mr. Mondale, the apparent Democratic presidential nominee, did not mention Mrs. Ferraro or any other vice presidential possibility in his speech. He said he was "considering a number of women, not because they're women, but because they're among the best."

"And if I choose a woman," he said, "it will be because she is the best."

"Considering a woman is a first," Mr. Mondale said, "but it will not be a last. We have broken

the barrier. Never again will a nominee make headlines by considering a woman; next time headlines will be made only if women are not considered."

Mr. Mondale, who has been endorsed by the organization, stopped short of committing himself to picking a woman running mate, to the disappointment of many in the crowd.

Mr. Mondale's appearance and the vice presidential interview he has scheduled with Mrs. Ferraro on Monday and Governor Martha Layne Collins of Kentucky on Friday, as well as one last week with Mayor Dianne Feinstein of San Francisco, have raised expectations.

On Saturday, Mrs. Ferraro sounded very much as if she would like to be that candidate. She praised Mr. Mondale as "a perfect male candidate" and said of women: "Our place is in the vice presidency and the presidency. ... I thank NOW for making dreams that once seemed impossible a reality for me."

The movement to secure the Democrats' No. 2 spot for a woman has dominated the organization's annual conference, and emotions ran high by the time Mr. Mondale arrived. Many of the 1,200 delegates waved placards proclaiming, "Fritz and a Ms.," "Woman Yes! NOW," "New Yorkers for Ferraro" and "Win With a Woman in '84."

Mr. Mondale's interview with Governor Collins will be the seventh he has had with vice presidential possibilities. Only one of the seven, Senator Lloyd M. Bentsen of Texas, is a white male.

Mr. Mondale has scheduled a meeting Wednesday with women officeholders and feminist leaders. The president of the National Organization for Women, Judy Goldsmith, and a host of Democratic officeholders and candidates made it clear Saturday that they intend to keep the pressure on Mr. Mondale.

In a keynote speech, Ms. Goldsmith said the movement for a woman on the ticket "has a developed momentum of historic proportions, a groundswell of determination."

With 250,000 members, NOW is the largest U.S. feminist group. Ms. Goldsmith said 400 delegates to the Democratic National Convention, which starts July 16 in San Francisco, are members of the organization.

"We're going there to get a woman on the ticket," she said in a standing ovation. She said her analysis of polling data led her to believe that a woman would help the Democratic ticket.

"We aren't saying, 'If there isn't a woman, we won't play,'" she added. "We're saying, 'If there isn't a woman, we don't win.'"

After Mr. Mondale spoke, he met privately for about 20 minutes

with Representatives Mikulski, Oakar and Kennelly, all of whom supported his quest for the party's nomination. They informed him of their decision to unite behind Mrs. Ferraro.

"It was tough to do it," said Miss Mikulski, who had been mentioned as a potential running mate herself. "For some, it meant taking our own buttons off."

■ 2 Polls Back Woman
The overwhelming majority of state Democratic leaders believe selection of a woman for vice president would improve Mr. Mondale's chances of winning, according to a survey by United Press International.

In a separate survey of delegates to the Democratic National Convention, The Associated Press found wide support for a woman candidate, with Mrs. Ferraro mentioned far more than any other.

Interviews conducted by UPI last week with 85 of the nation's 102 party chairmen and vice chairmen found that 57 percent felt a woman would help a Democratic national ticket, while only 10 percent said such a move would hurt the party's chances.

Nearly 3,000 of the 3,933 delegates responded to the AP survey and, of the 1,640 who stated a vice presidential preference, 54 percent said they wanted a woman on the ticket and Mrs. Ferraro was singled out by 360.

In the House the vote Friday was 226-169, while the Senate approved the measure on a voice vote. Both houses then recessed until after the Democratic National Convention next month.

If approved by President Ronald Reagan, federal funding for the conventions would total \$3 million. The money comes from the Presidential Election Campaign Fund, which is collected through voluntary \$1 tax contributions on individual income tax returns.

"There is ample money in the kitty," said Representative Sala Burton, Democrat of California, who represents San Francisco.

Jackson Vows to Continue Fight For Policy Changes at Convention

By E.R. Shipp

NEW YORK Times Service
CHICAGO — At what was billed as his homecoming to the civil rights organization he founded nearly 13 years ago, the Rev. Jesse L. Jackson has vowed once again to fight for his positions at the Democratic National Convention this month.

The presidential aspirant, who has alternated on whether he would take a combative or conciliatory stance on the party's platform and rules, told of his current intentions Saturday in a speech at the headquarters of Operation PUSH. Mr. Jackson has taken a leave of absence from the organization while seeking his party's presidential nomination.

"The issue of fairness has not been resolved," he said, saying he would ignore rules that restricted the introduction of issues from the

convention floor. Mr. Jackson did not say how he would accomplish this.

Proposals that were considered by the party's platform committee had to receive at least 25 percent of the vote to qualify as a minority report for debate on the convention floor. A Jackson proposal on the elimination of runoff primaries, strongly fought for by his supporters on the committee, did not get the necessary votes.

Mr. Jackson also announced that he planned to visit South Africa and the Soviet Union "before November" to carry out a peace initiative he began on his recent Central America tour.

More than 2,000 people, mostly blacks, jammed into the South Side headquarters of Operation PUSH to hear his address.

Mr. Jackson is critical of party rules that gave him fewer than 10 percent of the national delegates,

although he won 19 percent of the votes cast in binding primaries. This issue heads the 10-point agenda he repeated in his hour-long address Saturday morning.

"Don't you want party unity, Jesse?" he asked rhetorically. "Yes, but not at all expense. Unity without justice is like sewing up a wound with the knife on the inside."

In an address before about 200 of his delegates and campaign supporters Friday night, he said: "We've earned the right to raise the issue without anybody's permission. We're not going to cut a deal to raise an issue. The convention has the right to vote it down, but I declare we will be heard."

Other issues on his agenda included commitments to peace, affirmative action, enforcement of the Voting Rights Act, creation of jobs, and the elimination of racial separation in South Africa.

Congress in U.S. Increases Funds For Conventions

WASHINGTON — The Senate and House of Representatives have voted to increase federal funding for the Democratic and Republican conventions by \$1 million each, rejecting concern that the measure represented an "unfair subsidy."

In the House the vote Friday was 226-169, while the Senate approved the measure on a voice vote. Both houses then recessed until after the Democratic National Convention next month.

If approved by President Ronald Reagan, federal funding for the conventions would total \$3 million. The money comes from the Presidential Election Campaign Fund, which is collected through voluntary \$1 tax contributions on individual income tax returns.

"There is ample money in the kitty," said Representative Sala Burton, Democrat of California, who represents San Francisco.

Survey Shows Reagan Surging to a 19-Point Lead Over Mondale

By David S. Broder

WASHINGTON Post Service
WASHINGTON — President Ronald Reagan has surged to a 19-point lead over Walter F. Mondale, the prospective Democratic presidential nominee, according to the latest Gallup Poll.

The survey of 908 registered voters gave Mr. Reagan 56 percent and Mr. Mondale 37 percent, with 7 percent undecided or supporting other candidates. The theoretical sampling error is plus or minus four points. The poll, taken June 22-25, was released Saturday.

Mr. Reagan led Senator Gary Hart of Colorado in a separate poll by 12 percentage points, 53 percent to 41 percent, with 6 percent undecided.

Mr. Reagan's lead is the largest an incumbent president has enjoyed at this stage of the race since 1964, the year of President Lyndon B. Johnson's landslide victory over Senator Barry Goldwater of Arizona.

The breakdown of the latest poll showed Mr. Reagan ahead of Mr. Mondale among men and women, in all age categories and in all regions. Mr. Mondale led in only three Gallup categories: among self-identified Democrats, blacks and people with less than high school education.

Mr. Mondale's showing was his weakest this year. In January, the year's first Gallup Poll showed Mr. Mondale trailing Mr. Reagan by one percentage point, and as recently as early May his deficit was only four points.

The Gallup Poll is consistent with the Reagan campaign's claim that its national poll, taken after the final round of Democratic primaries on June 5, had Mr. Reagan 16 points in front.

James Lake, a spokesman for the Reagan campaign committee, said he believed that the wider margin in the Gallup Poll resulted from "two months of very positive news for the president, both on his foreign trips and in the domestic economy ... along with the fact there's just no great enthusiasm among Democrats for Mondale. Now that the realization has set in that he's their nominee, we're picking up support from Democrats who see no hope in his leadership."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

year's first Gallup Poll showed Mr. Mondale trailing Mr. Reagan by one percentage point, and as recently as early May his deficit was only four points.

The Gallup Poll is consistent with the Reagan campaign's claim that its national poll, taken after the final round of Democratic primaries on June 5, had Mr. Reagan 16 points in front.

James Lake, a spokesman for the Reagan campaign committee, said he believed that the wider margin in the Gallup Poll resulted from "two months of very positive news for the president, both on his foreign trips and in the domestic economy ... along with the fact there's just no great enthusiasm among Democrats for Mondale. Now that the realization has set in that he's their nominee, we're picking up support from Democrats who see no hope in his leadership."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Kathy Bushkin, Mr. Hart's press secretary, said the poll provided ammunition for Mr. Hart's continuing effort to convince Democratic delegates that he would be a stronger candidate.

James A. Johnson, Mr. Mondale's campaign chairman, said he found the poll results "totally implausible" and said they were at odds with other data he had seen. "The polls will move up and down," Mr. Johnson said, "but we're confident Mondale will run a strong race."

Lillian Hellman, 79, American Playwright And Author, Is Dead

New York Times Service

NEW YORK — Lillian Hellman, one of the most important playwrights of the American theater, died Friday of cardiac arrest at Martha's Vineyard Hospital near her Massachusetts summer home. She was 79.

Among Miss Hellman's plays that have entered the modern repertory are "The Children's Hour" and "The Little Foxes." She was also a successful motion-picture dramatist. The three volumes of her memoirs were both critical and popular successes.

Yet the Hellman line that is probably most quoted came from a letter she wrote in 1952 to the now-defunct House Committee on Un-American Activities when it was investigating links between U.S. leftists and the Communist Party.

"I cannot and will not cut my conscience to fit this year's fashions," Miss Hellman wrote.

Although she had participated with Communists in many causes, she was not a Communist. "Rebels seldom make good revolutionaries," she said.

Members of her mother's family were merchants of German-Jewish origin who settled in New Orleans, where she was born on June 20, 1905. Her father, Max, became a successful salesman in New York.

An only child, Miss Hellman spent her girlhood shuttling between Manhattan and New Orleans.

She studied at New York University for three years, then read manuscripts. Her marriage in 1925 to the writer Arthur Kober ended in a friendly divorce in 1932. By that time, she had met the writer Dashiell Hammett, with whom she

would live off and on until his death in 1960.

Her first play to be produced, "The Children's Hour," about two women falsely accused of lesbianism, opened in 1934 and was an immediate hit. Although it was banned in Boston and Chicago, Miss Hellman earned \$125,000 from its first run.

In 1936 she went to Spain, then returned to the United States to campaign for aid to the Loyalists in the Spanish Civil War.

Meanwhile, she was working on a play about a Southern family obsessed with money and power. "The Little Foxes." It was a hit on the stage and in the screen version, which Miss Hellman also wrote.

She bought an estate in Westchester County, New York, and converted it into a working farm. For 13 years, she lived on the farm and helped run it while writing plays, books and magazine articles.

When her anti-Nazi play, "Watch on the Rhine," opened in early 1941, the Communist press criticized her for supporting the Allies in what it then called the "phony war." The play was named the best of the year by the New York Drama Critics Circle.

Mr. Hammett was jailed in 1951 for refusing to submit a list of contributors to what the Federal Bureau of Investigation had branded a Communist front, the Civil Rights Congress, of which he was a trustee. He emerged with his health shattered. Miss Hellman received her summons the next year.

She offered to testify about herself but not about others. The committee did not choose to cite her for contempt, but she suddenly became an untouchable in the movies



Lillian Hellman

and the theater. Not until "Toys in the Attic" appeared in 1960 did her financial straits end. The play again won the drama critics' award.

In the 1960s and 1970s, Miss Hellman worked on her memoirs: "An Unfinished Woman" (1969), "Penitence" (1974) and "Scoundrel Time" (1976). She sold motion picture rights to the section of "Penitence" about Julia, a woman who risks her life to smuggle anti-Nazi out of Hitler's Germany, and it was made into a film in which Miss Hellman was portrayed by Jane Fonda.

Miss Hellman had criticized her friends Lionel and Diana Trilling for their writings on the Cold War, and a feud evolved between the two women, coming down to a "battle-by-interview."

In 1979, the novelist Mary McCarthy, in a television interview, characterized Miss Hellman as "a dishonest writer." Miss Hellman sued Miss McCarthy, the Educational Television Corp. and the interviewer, Dick Cavett, for damages of \$1.75 million. At Miss Hellman's death, the case was still pending.

Marcos Includes Wife In New Cabinet Despite Her Setback in Election

By William Branigan

Washington Post Service

MANILA — President Ferdinand E. Marcos has announced a new government, retaining most of his cabinet, including his wife, Imelda.

The announcement Saturday ended speculation about the immediate political fate of Mrs. Marcos, who earlier had said she was renouncing all her official positions.

Mrs. Marcos was considered the big loser in the May 14 parliamentary elections. Opposition parties won 15 of 21 seats in Metro Manila, where Mrs. Marcos served as campaign manager for the New Society Movement, the government party.

Mr. Marcos said Saturday that his wife would continue as minister of human settlements, one of 22 holdovers from his 27-member cabinet.

Those dropped included three ministers who lost elections and one, Manuel Elizalde Jr., who fled the country during the height of last year's political turmoil and has not been heard from since. Mr. Marcos sidestepped the sensitive issue of Mr. Elizalde's disappearance by merging his office, the Presidential Assistant for National Minorities, with another ministry under a new appointee.

Among those retained were the prime minister, Cesar E. A. Virata, who also serves as finance minister, and Juan Ponce Enrile, the defense minister.

The major change was the appointment as foreign minister of Arturo M. Tolentino, an assemblyman who has a reputation as a maverick for disagreeing with Mr. Marcos on a number of issues. Mr. Tolentino succeeds Carlos P. Romulo, who retired earlier this year because of failing health.

That appointment apparently angered the acting foreign minister, Manuel Collantes, who said he was joining a group of 30 assemblymen — some of them members of Mr. Marcos's party — to press for a review of the president's controversial decree powers. The main target of the review, he said, would be a constitutional amendment, ratified under martial law in 1976, allowing Mr. Marcos to legislate by decree.

Mr. Collantes was one of the minority of New Society Movement candidates elected to the National Assembly. Opposition candidates won 68 seats of the assembly's 200 seats and independents 16. More than 50 are pending reviews by the Commission on Elections.

Asked about Mr. Collantes' move, Mr. Marcos said, "It's always a sad thing when a friend turns his back on you without even saying goodbye."

Although Mr. Marcos said his

wife would continue as human settlements minister, there was no mention of her role as governor of Metro Manila, and she was not among the cabinet ministers present at the news conference for the formal announcement of their appointments.

The Human Settlements Ministry has been criticized for heavy spending and some opposition politicians are seeking to abolish it. Mrs. Marcos has been keeping a low profile since the election, which the president has said left her deeply disappointed.

However, she is expected to be back in the public eye this week to testify before a board investigating the assassination last year of Benigno S. Aquino Jr., the opposition leader who was shot last August as he was leaving a plane at the Manila airport.

The board is expected to ask her about comments she made before the assassination warning that Mr. Aquino would be killed if he returned from three years of self-exile in the United States.

■ Court Lightens Sentence

The Supreme Court on Sunday ordered the alleged leader of the Communist Party of the Philippines removed from more than six years of solitary confinement, calling it "cruel and unusual" punishment. United Press International reported from Manila.

The court ordered the military to give José Maria Sison "the opportunity to associate with other persons under detention" at Fort Bonifacio prison, where he has been held since his arrest on charges of subversion.

Economic Policy Eased in Tibet

The Associated Press

BEIJING — China has announced flexible, new economic policies for Tibet, designed to double family incomes in five years.

The official news agency Xinhua reported Saturday that individual contractors in Tibet can decide what to raise or sell without government quotas. Those who plant trees or grass on wasteland or river banks can take ownership of the land and transfer it to others.

Tibet, a land of 1.9 million people, lags behind much of the rest of China economically. Per capita income was 216 yuan (\$36) last year, compared with 310 yuan for peasants elsewhere.

South African Cleric, on U.S. Visit, Fears Arrest on His Return Home

By Lexie Vendon

Washington Post Service

WASHINGTON — A South African clergyman who appeared at a press conference last week with Senator Charles H. Percy, Republican of Illinois, to describe the torture he suffered while in prison in a black tribal homeland has been warned by relatives and church officials in South Africa that he may face a bleak homecoming.

The Rev. Tshenani Simon Farisani, a dean of the Evangelical Lutheran Church in South Africa, said Saturday that police agents went to his home last week following his statements in Washington. They asked his wife when he would return and promised to visit the house every day until then.

Mr. Farisani, who was in New York over the weekend, said the men were members of the police force of Venda, a small, remote territory given nominal independence from Pretoria four years ago as part of a plan to strip all blacks of their South African citizenship.

Regina Farisani, reached by phone at her home in Venda's northern town, Sibasa, said that the two officers did not threaten to arrest her husband but that she was worried about his safety when he returns. She said she recognized one

of the officers as being part of a group of men who arrested Mr. Farisani on Nov. 18, 1981.

Despite fears that he could be arrested again, Mr. Farisani said he planned to return home this week. He added: "I cannot say that this is something I take lightly."

Martin Sovik, the assistant director of the office of government affairs for the Lutheran Council of the U.S.A., said that church officials have contacted the State Department for help in securing the reverend's safety in Venda. The State Department has directed the ambassador, Herman Nickel, to look into the situation, he said.

Mr. Farisani has been arrested three times in the past five years and he has spent a total of 372 days in detention. His last arrest, in

1981, was part of a major police sweep in which 18 prominent people were detained after an attack on the Sibasa police station.

It was during that detention, Mr. Farisani said, that police torture was the most brutal. It included beatings that left him unconscious and shock treatments that led to a series of heart attacks. The authorities also demanded a statement from him admitting involvement in the bombing. He says he was never formally charged with a crime, although he was detained by police until June 1982.

Mr. Farisani and two other Lutheran churchmen sued the Venda government after their release from prison and received a settlement out of court this spring.

U.S. General Links Nicaragua, Drugs

The Associated Press

SAN SALVADOR — Leaders of Nicaragua's government are involved in drug trafficking in the region, said Lieutenant General Paul F. Gorman, head of U.S. Army forces based in Central America.

General Gorman made the allegations Friday night during a

speech to an American Chamber of Commerce meeting in San Salvador.

Departing from his prepared text, General Gorman said that drug traffickers buy off government officials and are conduits for subversion and that "the commanders of Nicaragua are deeply involved in these movements in the region." He refused to elaborate.

Exile Says Letter From Soviet Shows Sakharov's Wife Is in Good Health

United Press International

MUNICH — A Soviet exile says he has received a letter from Moscow containing the first indication that the wife of the Soviet dissident Andrei D. Sakharov has ended a hunger strike and is in good health.

"It says Yelena is going every day to the bakery in Gorki in the company of two other persons," the exile, Grigori Lubsarsky, said Saturday of Yelena G. Bonner.

He said the "two other persons" were probably agents of the KGB, the Soviet secret police and intelligence agency, who would prevent her from making contact with outsiders.

Mr. Lubsarsky, a Munich resident, said the letter made no mention of Mr. Sakharov, who reportedly began a hunger strike May 2 to protest the Kremlin's refusal to allow his wife to go abroad for medical treatment. Mrs. Bonner joined the strike about a week later.

Mr. Sakharov, who won the 1975 Nobel Peace Prize, has been restricted to Gorki by the Soviet authorities since 1980.

Mr. Lubsarsky said the letter had been passed to him by "very reliable friends" in the West who were in touch with the writer of the letter in Moscow.

Formerly an astrophysicist in the Soviet Union, Mr. Lubsarsky was imprisoned for political offenses but was allowed to travel to the West after being named by Amnesty International, the London-based human rights organization, as a "prisoner of conscience."

■ U.S. Rejects Soviet Charges
Celestine Bohlen of The Washington Post reported from Washington: In a continuing clash over human rights policies, the U.S. State Department has rejected recent assertions in the Soviet press about the treatment of the imprisoned American Indian activist, Leonard Peltier.

A department statement character-

ized the Soviet reports as an attempt to deflect Western criticism of Soviet treatment of Mr. Sakharov and his wife.

In recent articles, Soviet journalists have alluded to a hunger strike by Mr. Peltier, 39, who was convicted in 1977 of the murder of two Federal Bureau of Investigation agents on an Indian reservation in South Dakota two years before.

Last week, four Nobel Prize winners from the Soviet Union wrote a letter to President Ronald Reagan, saying that Mr. Peltier's days are "numbered" and urging Mr. Reagan to "show the humaneness that you want to see in others."

Mr. Peltier "is not currently on a hunger strike and, in stark contrast to the cases of Dr. Sakharov and Mrs. Bonner, his human rights are

not being violated," the State Department said in a statement last week.

His conviction was challenged in a 1983 book by Peter Matthiessen and has become a cause among civil rights groups in the United States and abroad. In 1981, Amnesty International cited Mr. Peltier's case for "governmental inhumanity" and called for an independent investigation.

In April, Mr. Peltier, who has been held in the maximum-security federal penitentiary in Marion, Illinois, began a hunger strike, apparently to protest the suspension of communal religious activities at the prison. He is now in the Medical Center for Federal Prisoners in Springfield, Missouri, where he ended a second hunger strike May 24.

French Woman Sues to Get Sperm And Bear Her Late Husband's Child

By E.J. Dionne

New York Times Service

PARIS — A French woman has gone to court to obtain the sperm deposited in a sperm bank by her late husband so that she can have his child.

Corinne Parpalax, 23, argues that she has a moral and legal claim to have her husband's child. But the sperm bank contends that it has no right to give up the dead man's sperm and is fighting the claim.

The case has raised a series of complicated legal questions here.

Mrs. Parpalax met her late husband, Alain, in August 1981. At the time, Mr. Parpalax was in the early stages of testicular cancer. He was told that his only hope for survival was chemotherapy, but that the treatment might leave him sterile. So he decided to deposit his sperm at the Center for the Study and Conservation of Sperm in Kremlin-Bicêtre just outside Paris.

The cancer went through a period of remission, but then got worse. In December 1983, the couple were married. Mr. Parpalax died on Christmas Day.

With the encouragement of Mr. Parpalax's family, Mrs. Parpalax wrote to the sperm bank and asked for her husband's sperm so that she might have his child.

But the center said there was no law governing what should be done with a dead man's sperm and asked that the case be turned over to the secretary of state for health, Edmond Hervé. The ministry has not yet ruled on the case, and Mrs. Parpalax went to the matter to court.

Lawyers for the sperm bank argue that its only legal obligation is to return the sperm to the donor, Catherine Palle-Vincent, the bank's lawyer, contended that

sperm was in effect an indivisible part of a person, and could not be inherited as a material object would be.

She also contended that there is not sufficient proof that Mr. Parpalax deposited his sperm with Mrs. Parpalax, who was his girl friend at the time he donated the sperm.

"Artificial insemination is practiced only to overcome male sterility," Mrs. Palle-Vincent said.

"Giving birth is not a therapeutic matter" and the aim of sperm banks "is strictly therapeutic."

For its part, the Health Ministry has generally held that both partners should consent to artificial insemination, and should thus both presumably be alive.

But Paul Lombard, the lawyer for Mrs. Parpalax, has made a dramatic appeal that Mrs. Parpalax be given the chance to have her husband's child. He asked the court to rule that a deceased man has the right to breathe life into the womb of his wife and prove that love is stronger than death.

Mrs. Palle-Vincent has argued that heirs have no more right to sperm than they would to the body of a deceased family member.

"But the sperm is not part of the body. It's not an organ," Mr. Lombard countered. "It's something that's in a test tube."

"It's a completely new problem

that's never come up in French law," he said. "In other countries, it's very vague too."

Supporters of the bank's position have also argued that it is not right to bring a child into the world whose father is dead.

A further legal wrinkle is that under French law, the child in this case would apparently be illegitimate. French law holds that in order to carry the father's name, a child must be born fewer than 300 days after the father's death.

The case is expected to be decided at the end of July.

"If we win this case," Mr. Lombard said, "this myth that men and women have carried around of extending their life after death will become reality."

■ Pontiff Tells Maunoy

Of Concern on Schools

The Associated Press

VATICAN CITY — Pope John Paul II has told Prime Minister Pierre Mauroy of France of his concern over French government efforts to gain more control over private schools, the Vatican has reported.

Most private schools in France are Roman Catholic.

After the 35-minute meeting Saturday, the Vatican issued a statement saying the two men discussed private schools and other subjects.

Conservatives and the Roman Catholic Church, which runs almost all private schools in France, see the measure as an attack on freedom of educational choice. For the governing Socialists and their junior partners in government, the Communists, the proposed law appeared to be a partial fulfillment of their 1981 campaign pledge to create a "unified, secular" educational system.

In general, the measure would give private school teachers six years to decide whether to become state employees. In schools where the percentage of teachers who were state employees fell below 50 percent eight years from now, public financial support would be phased out.

Special Parliamentary Session Called on French School Issue

The Associated Press

PARIS — President François Mitterrand has ordered both houses of the French Parliament into extraordinary session beginning Monday, pressuring the opposition for quick and relatively painless passage of a law on private schools.

The special session ordered Saturday has no time limit, and July marks the beginning of France's two-month summer holiday period. The special session puts pressure on opposition senators to act quickly or risk losing their own vacations.

The school bill would increase direct state participation in private education, which is heavily subsidized by the government. Last week, a crowd estimated at 800,000 by the government and up to two million by organizers marched



John N. Turner after a meeting with Canada's governor general.

Turner, Taking Over From Trudeau, Moves First on Economic Problems

By Douglas Martin

New York Times Service

OTTAWA — John N. Turner was sworn in Saturday as the 17th prime minister of Canada in a private ceremony that ended a 16-year-long political era dominated by Pierre Elliott Trudeau.

Mr. Turner, until recently a corporate lawyer, pledged a more businesslike government and immediately announced the resignation of 13 cabinet ministers who had served under Mr. Trudeau. He said he would meet with the full cabinet and senior ministers individually this week to discuss Canada's serious economic problems.

But Mr. Turner, 55, stopped short of announcing the large immediate changes that some politicians had anticipated. In particular, he ruled out appointing unelected ministers to senior jobs, a legal possibility in Canada but a move considered politically dangerous.

"I would need a larger mandate from the people of Canada to move farther than I have today," Mr. Turner said.

The new prime minister, who was selected as leader of the ruling

Liberal Party earlier this month, is not himself a member of Parliament. He declined to discuss when he might call an election. He must set a date by early March.

In an unanticipated move, Mr. Turner said he would run in an electoral district in British Columbia. This, he said, is a demonstration of his commitment to increasing Liberal representation in western Canada. The ruling party currently holds no seats west of Winnipeg, Manitoba.

Mr. Trudeau, first elected prime minister in 1968, was the longest serving Western leader at the time of his resignation. His sometimes idiosyncratic sense of style was apparent in final comments to reporters Friday.

"I'll try to remain silent for most of the rest of this year," he said. "It depends on how provoked I get."

Until 1975, Mr. Turner served as a senior minister in Mr. Trudeau's government. He left after a dispute with the prime minister. Although Mr. Turner publicly praised his predecessor during his campaign for the party leadership as "the most outstanding Canadian of his

generation," he took the opportunity Saturday to separate himself from Mr. Trudeau in several ways.

He said, for example, that he would meet with the press more often. He has also given cabinet members more power, while cutting the size of the cabinet from 37 to 29.

He also made a quip about his long absence from politics, and perhaps the dispute between him and Mr. Trudeau. When asked how he felt while being sworn in, he said, "I suppose I didn't reject from my mind certain ironies of the situation."

Mr. Turner's decision not to look outside the government for top aides at this time meant that he retained a number of Mr. Trudeau's ministers. Marc Lalonde, for instance, will continue as finance minister.

Jean Chrétien, the energy minister who was Mr. Turner's strongest challenger for the Liberal Party leadership, was named deputy prime minister, secretary of state of external affairs and senior minister for Quebec. For more than a week, Mr. Turner had been negotiating with the popular Quebecer to secure his support in a new administration.

Mr. Turner praised Mr. Chrétien on Saturday, calling him "my most important collaborator."

Politically, the new leader's most urgent political task is to determine an election date. Some politicians suggested that the decision not to name unelected ministers indicates a later election, perhaps in November.

Only five members of Parliament were promoted to cabinet rank. The others are familiar faces, with precedence clearly given to those who supported Mr. Turner.

For instance, Lloyd Axworthy, Mr. Turner's campaign manager, was made Liberal political chief for the entire West in addition to retaining his post as transport minister. Industry Minister Ed Lumley, Labor Minister André Ouellet and Consumer Minister Judy Erola were all given expanded powers.

Whenever an election is called, the Liberals will be up against the Progressive Conservative Party led for the past year by Brian Mulroney, a former businessman. Just as the Liberals are trying to gain in the West, the Tories are concentrating on picking up seats in Quebec, where they now hold only one of 75 seats.

The promise of Mr. Turner to run in British Columbia thus represents a challenge to Mr. Mulroney to run in his native Quebec. So far, the Tory leader, who was elected to Parliament in a by-election to a safe seat in Nova Scotia, has been reluctant to say where he plans to run.

WORLDWIDE ENTERTAINMENT

Flomation

Jacques STORNE
RESTAURATEUR-ÉCAILLER
79, av. Charles-de-Gaulle
92200 NEUILLY-PORTE MAJOLAT
Tel: 747 43 64 Mins 130 F
Rooms for private parties
Easy parking. Closed Saturdays

VERT GALANT

IN THE HEART OF OLD PARIS
42 Quai des Orfèvres, Paris 1st
326-83-68
Private rooms for business meals.
Parking
Closed Saturdays

SKY FROM SATELLITE TELEVISION

PROGRAM, MONDAY 2nd JULY

UK TIMES 16.00
18.00 SKY CHANNEL MUSIC BOX
18.05 CARTOON TIME
18.10 MR ED
18.30 GREEN ACRES
18.55 CHARLIE'S ANGELS
19.45 VEGAS
20.35 MOVING REPORT
21.05 AMERICAN COLLEGE BASKETBALL
21.55 SKY CHANNEL MUSIC BOX

BROADCASTING TO CABLE COMPANIES IN EUROPE & THE UK VIA SATELLITE
CONTACT SATELLITE TELEVISION FOR FURTHER INFORMATION
TELEPHONE LONDON 011 437 0491 TELEX 706943

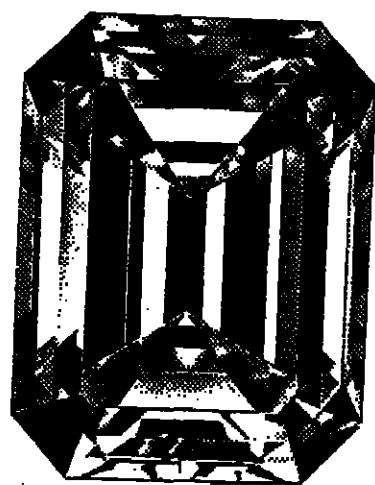


From Trudeau, mic Problems

rare (rār) *a.* uncommon; few and far between; extremely valuable; of the highest order; singular; unique; highly prized.

quality (kwol'-i-ti) *n.* degree of excellence; priceless; superior; measure of perfection; property associated with prestige; greatly esteemed.

DeBeers (de-bērz) *n.* pertaining to rare and quality; the name that stands for diamonds.



Herald Tribune

Published With The New York Times and The Washington Post

Toward a Debt Solution

There appears on this page today an essay proposing the creation of an Alliance Fund as a means to de-escalate the increasing sense of crisis that surrounds the international debt problem of developing countries. The proposal merits serious consideration by official and private creditor institutions. It is important that the recent meeting of the major Latin American debtors in Cartagena, Colombia, receive a studied reply from the creditors. No response would appear to be brushing it away, as if it never happened. And that would be a mistake.

The Latin governments are under tremendous pressure — from their electorate for a better life, and from their creditors for an improved economic performance. In the long run, compliance with the austerity programs required by the International Monetary Fund may indeed lead to a better life for the citizens of those countries.

But in the short term, policy-makers in creditor countries must recognize that the

adjustments they are demanding represent a tremendous sacrifice in daily living conditions that no government in the industrialized countries would dream of implementing over so short a period.

It is time, therefore, for new initiatives. The \$20 billion proposed to start the Alliance Fund is admittedly only a drop in the bucket relative to the \$400 billion owed by developing countries to private creditors — mostly commercial banks.

Still, the proposed Alliance Fund is equal to half the paid-in capital of the World Bank, and it is about equal to what the IMF has actually laid out in assistance over the past two years. It would be \$20 billion of long-term finance that would otherwise not be available. Ideally, it would depoliticize the debt issue.

Most important, it would be a demonstration that the will exists to find solutions equitable to both lenders and borrowers.

INTERNATIONAL HERALD TRIBUNE.

What Kind of Europe?

When an international quarrel over money drags on for years, at a rising cost to political reputations, you can assume that more than money is at stake. Britain joined the European Community more than a decade ago, knowing the financial formulas were adverse to its interest but assuming that something would be worked out. Unfortunately, all attempts at a solution seemed to exacerbate the deeper differences between the British and their continental partners — particularly the French.

The French sometimes suspected Britain of trying to abandon the political purposes of the Common Market altogether and attempting to turn it into merely a free trade zone. The British, with their highly efficient agriculture, deeply resented the price being extracted from them to support the continent's tradition of highly protected farming with its inordinate costs and huge surpluses. The British, feeling poor, wanted to fix the community's budget deficit by cutting the budget; the continentals, most of them much richer, were prepared to raise taxes. For the past five years, because these differences touched everything else that the community wanted to do, it made very little progress on anything at all.

The dispute has now been resolved, more or less to everyone's satisfaction. The credit goes, above all, to the president of France, François Mitterrand. But what made this solution possi-

ble? The explanations are a reminder that the purposes holding this economic community together are not, at bottom, economic at all. The French worry that the West Germans, at some point in the future, may drift off toward neutralism and the romantic dream of reunification with East Germany. For their part, the Germans fear isolation from the other Western democracies. The community is the structure that holds Western Europe together, and not even the British are prepared to accept the consequences of allowing it to collapse.

The governments that worked out the financial settlement clearly intend it to be part of a concerted effort to begin moving their 10 countries toward a closer unity. They announced the settlement in a statement in which they also spoke of creating a European passport, and perhaps a European flag. They suggested organizing European sports teams — for the 1988 Olympics? — and twinning school classes across national boundaries.

— THE WASHINGTON POST.

Drilling Closer to Home

There is a long list of necessary projects that everyone favors somewhere else — things like prisons, mental hospitals, drug clinics, waste disposal units, power plants. Now please add a national necessity: offshore oil drilling. Congress is all for it off other people's coasts.

American oil production continues to decline and dependence on oil imports is once again rising. The trend toward ever greater vulnerability cannot be inexpensively reversed. It probably could be slowed, though, by a vigorous effort to develop the most promising U.S. oilfields. But they are mostly offshore, along someone's favorite coastline.

Congress and the Carter administration tried to do just that in 1978 by streamlining the leasing program for the outer continental shelf. They sought maximum development with a minimum disruption of the environment. But legal challenges by state governments and environmental groups stalled the program. By the time these were beaten back, the 1979 oil shock had faded and James Watt had become secretary of the interior.

Then the opponents of offshore drilling capitalized on public indifference and on resentment of Mr. Watt's attitudes about conservation. With little discussion and no recorded

votes in Congress, they pressed a law barring the Interior Department from leasing any of some 52 million acres (21 million hectares) offshore. Now a House committee is considering another year's moratorium, covering prime sites off California, Alaska and Massachusetts.

Its sponsors cite the big oil spills off Santa Barbara, California, in 1969 and off the Mexican Gulf coast in 1979. Why risk populated or ecologically fragile coasts, they say, when oil is available elsewhere?

There surely is some risk of damage. But the technology of containing spills and vigor of regulation have come a long way since Santa Barbara. No serious spill has marred the harvesting of four billion barrels from 12,000 drilling rigs in U.S. waters since 1970. Statistically, tankers bearing imported oil now pose a much greater environmental danger.

Nothing Congress can do to the offshore oil program this summer will affect energy supplies in this decade. The easier sites, like those off Southern California, need five years for development; Alaska would take at least 10 years. But if the nation fails to push ahead now, the almost certain shortages of the mid-1990s will surely be more severe.

— THE NEW YORK TIMES.

Other Opinion

The Growing Doubts in Iran

Although it seems unlikely that Iraq can win the war in the sense envisaged by President Saddam Hussein when he started it, he can be less fearful of losing it than he was a few weeks ago. The expectations aroused by the latest Iranian call to arms has not been fulfilled. For the first time since the revolution the [Iranian] leadership is having its authority questioned. It was certainly which caused the ill-trained

and ill-armored Iranian troops to hurt themselves by Iraqi defenses. When certitude gives way, ever so slightly, to doubt, a simple moral crusade becomes a difficult military operation about which there can be more than one professional opinion. The Iraqis say they still expect the offensive to take place, and if it does the balance may shift back again. Even so, with every passing day Iran's secret weapon — religious fervor — is losing potency.

— The Guardian (London).

FROM OUR JULY 2 PAGES, 75 AND 50 YEARS AGO

1909: China Explorers Said in Danger
PEKING — Telegraphic advices to the American and British legations are construed to indicate a possibility of further trouble for Robert S. Clark's party if it continues its explorations in Kansu. Details of the killing of the Sikh attaché are meager, but the reports indicate popular excitement. Despatches to the British legation announce the find of the body of the Sikh, much mutilated. Mr. Fletcher, the American chargé d'affaires, has telegraphed to Mr. Clark urging the party to return. This was at the insistence of Mr. Clark's brother in New York. No response has yet been received, but this is not necessarily ominous. Nevertheless, in view of the contentions, the authorities are insisting that the party leave the scene as soon as possible.

1934: Nazis Execute Ex-Chief of Staff
BERLIN — Ernst Roehm, former chief of staff of the National-Socialist Party storm troops and ringleader of the revolt against the Hitler dictatorship, has paid for his rashness. In a [July 1] statement announcing that the chancellor's one-time intimate friend has been executed, but mentioning neither the time nor the place, it is simply stated that "former Chief of Staff Roehm was given an opportunity to take the consequences of his treasonable action. He did not do it and therefore was shot." Presumably Roehm was executed at Munich, where he was arrested [on June 30]. Whatever may be said of Roehm's moral character, he was a man of great physical courage and characteristically refused to do the Nazis the favor of taking his own life.

INTERNATIONAL HERALD TRIBUNE

JOHN HAY WHITNEY, Chairman 1958-1982

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER

LEE W. HUEBNER, Publisher

Executive Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

Editor

An 'Alliance Fund' Could Help Solve World Debt Crisis

By Philippe Duveusart

BRUSSELS — With the London summit of industrial democracies and the Cartagena, Colombia, meeting of Latin American debtors, two important pages were turned in the evolution of the international debt problem. There is a wide consensus today on the following points:

■ What has been done about the debt problem in the last two years was done well, but new approaches must be found;

■ Economic expansion should be sustained in the industrial democracies, and these countries should keep their borders open to the products of the developing countries;

■ Interest rates should be lowered, largely through a reduction in the U.S. budget deficit;

■ Debtor countries' problems should continue to be solved on a case-by-case basis. But the International Monetary Fund must be put in a position to propose more forcefully — and to assist with larger resources — adjustment programs that leave room for growth, especially in debtor countries with democratic regimes. To this effect a dialogue must be established between the IMF, the governments of industrial countries and the governments of problem debtor countries;

■ Full service of the outstanding debt is not possible, even with new reschedulings, unless a significant new ingredient is added.

Henry A. Kissinger, "Solving the Debt Crisis: What's Needed Is Statesmanship," *TIME*, June 25) invites governments "to establish criteria for allocating the costs of stretching out the debt between those who took on the risk and the public interest in maintaining a vital banking system."

Most observers seem to believe, and probably rightly, that governments and banks from creditor countries will have to make financial sacrifices to return to a healthy situation. They also believe that with the awareness of how

costly the lack of a solution would be, the substantial financial resources required to solve the debt problem can be gathered.

Yet there is a basic difficulty that has not adequately been spelled out: how to solve the debt problem in a lasting way without spoiling the debtors, without loosening the rules of international financial relations and without stripping the international credit market of its credibility.

How can one solve today's problems without creating a dangerous precedent and without depriving tomorrow's developing world of the large financial flows required for its own benefit, as well as that of the industrial world?

If commitments are not fulfilled today — not even with the forced consent of creditors — how can one expect the large credits that will be required tomorrow to be extended to governments that see little difference between a loan and a gift?

Points on which there is wide consensus should be implemented: economic activity and open-door trade policies should be sustained in the industrial world, lower interest rates should be worked for, individual approaches should be taken on problem countries and new reschedulings should be arranged when required. New financings should, of course, be directed exclusively to sound projects and to sound programs, and borrowings should stay within the limits of future repayment capabilities.

But a substantial new element should be brought into the picture: a large pool of resources to be gathered in an international agency. This might be called the Alliance Fund to emphasize the will to avoid confrontation between a debtors' club and a creditors' club. The Alliance Fund would be managed by the IMF.

probably with the cooperation of the World Bank and of the Bank for International Settlements.

Shareholders of the Alliance Fund would be the governments and export credit insurance agencies of the industrial democracies and of the richer OPEC countries, with a 40-percent share; international development aid agencies (all creditors should contribute), with a 20-percent share, and the creditor banks of the industrial countries, with 40 percent.

Contributions by the latter would be proportional to their exposure in problem debtor countries and presumably would have to be made compulsory by their governments. The Alliance Fund would extend long-term soft loans — say, 25-year terms with 10-year grace periods and 2-percent to 5-percent interest rates — within the framework of adjustment programs agreed upon between the IMF and the debtor countries.

To be effective and credible, the Alliance Fund should have a subscribed capital of \$20 billion or more, to be called up progressively as required. This is a large amount, but put it in perspective: It is not more than the estimated 1984 net transfer of funds from Latin American countries to their lenders, it is less than three times the amount of short-term funds made available to bail out Continental Illinois, not much in comparison to the high amounts of write-offs and reserves carefully made over the last two years by creditor banks on their foreign loans, and very little indeed compared with the damages that an international debt catastrophe would cause. Data Resources Inc. estimates that a moratorium on their debt by Argentina, Brazil, Chile, Peru and Venezuela, would cost the United States alone \$95 billion in gross national product.

So the proposed program would:

■ Provide the IMF with adequate means to achieve its objectives and to move effectively and fully assume its role of advice, aid and supervision.

■ Provide debtor countries with the financial assistance and export credit insurance support needed to implement the required austerity programs, leaving room for at least minimum growth;

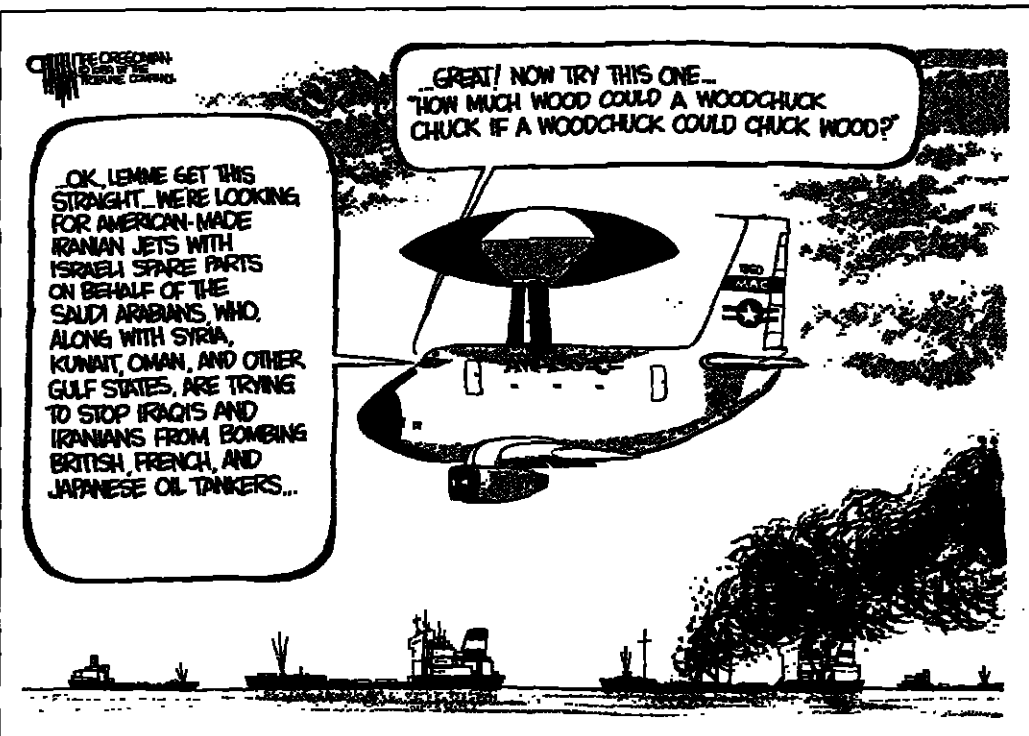
■ Let banks avoid political involvement and concentrate on banking, trade and other financing, including needed negotiations of rescheduling programs on a commercial/financial basis. The improvement in the quality of the banks' loan portfolios and the resulting possibility to cancel or avoid write-offs on foreign loans should largely compensate the banks for their contribution to the Alliance Fund.

■ Remove the Sword of Damocles of a major debt catastrophe, without spoiling the financial atmosphere of the future, without institutionalizing defaults, formal or de facto repudiations and huge loan write-offs, and without breaking the mechanisms governing the trade and financial relationships between the developing world and the industrial world.

■ Meet the wish so widely expressed that all parties concerned share the costs and efforts required to reach a solution while avoiding a dramatic confrontation.

Such a solution to the debt problem would be costly, but certainly much less so than the lack of it.

The writer, a former staff member of the IFC, World Bank and later director of Kredietbank, Luxembourg, is an adviser to the Sofina Group, a private Belgian investing company. He contributed this personal comment to the International Herald Tribune.



Israel's Economy: Reform Is Difficult

By Joyce R. Starr

This is the second of two articles.

WASHINGTON — While leaders of Israel's ruling Likud coalition and the opposition Labor Party may disagree vehemently about the future of the West Bank or the Israeli troop presence in Lebanon, they seem to concur that the only cure for Israel's economic woes is a strategy that stimulates exports, reduces imports and reigns in government spending.

The formula is obvious, said Gad Yacobi, who would be finance minister under a Labor regime. "The point isn't the plan, but whether the minister has the power to implement it. The Likud had four different ministers of finance in seven years, with eight different policies, and none of them were able to do the job."

He said he is not fighting for the portfolio because the next finance minister "will be, de facto, a kamikaze." But if he is asked? "With the correct approach, we could reduce inflation to 85 percent in two years, and in six years we can restore the economy to a healthy footing, cutting inflation to 25 percent."

Such optimism seems surprising. But it reflects the fact that Israel, irrespective of their political leanings, tend to maintain almost a zealous confidence in the country's export potential in high-technology fields.

Israel's advantage in this area "will have to carry the responsibility for our future growth," Commerce Minister Gideon Patt said recently. "About seven years ago we began to change directions from industrial manufactured goods to high technology, which was less than 3 percent of our industrial exports in 1965." By last year, he added, the figure had passed 35 percent.

Mr. Patt said the goal is for high-tech production to account for 55 percent of industrial exports by 1990 and for the current work force of 50,000 in the sector to increase fourfold. Based on the calculation that a high-tech employee produces \$40,000 a year, as compared with the industrial worker's \$15,000, the shift could add \$2 billion yearly to the nation's export earnings.

In fact, figures for the first quarter of 1984 showed exports up by 9 percent over the same period in 1983.

No less important, imports were down by 4 percent. "The positive side," said an Israeli economist, "is that our civilian goods and services deficit, which grew from \$1.4 billion in 1977 to \$4 billion in 1983, is contractable. Sure it's great to have video recorders in every home, but we can learn to suffer without them."

"The people feel guilty," suggested a Labor candidate, that they did not earn a 27-percent rise in private consumption over a three-year period.

But if the latest round of strikes are an indication, pangs of guilt have been submerged in anger over an erosion in real wages that reached 15 percent the last quarter of 1983. Many middle-class workers insist that their loss in earnings was almost twice that amount.

One of the most difficult challenges facing the party that wins the majority vote in the July 23 elections will be to reach a "social contract" between government, employers and the Histadrut labor federation to reduce gradually the country's infamous indexation system.

"Our problem," said an Israeli banker, "is you can never make the people poor, because a high percentage of their savings is held in assets linked to foreign exchange rates or to the consumer price index." Now roughly 80 percent, Israel's indexation albatross also makes income policy all too impossible.

No party official seems to be willing to be quoted on the subject, but privately most are quick to admit that the indexation system must be changed. Yet, this hinges on public confidence in the incoming government.

What if the party that wins the upcoming election fails to bring the economy rapidly under control? "Israel is the only country in the world whose leaders keep devising creative ways to destroy the economy," said an Israeli general. "But the infrastructure survives."

The writer is director of the Near East Program of the Center for Strategic and International Studies of Georgetown University. She contributed this comment to the International Herald Tribune.

A Sharper Definition of 'Terrorism' Is Needed

By Charles Maechling Jr.

WASHINGTON — Bombings and kidnappings in Lebanon and gunfire from the Libyan Embassy in London have put terrorism back at the top of the international political agenda. At the summit meeting in London, Western heads of government issued a guarded statement of condemnation. President Ronald Reagan has asked 26 federal departments and agencies for new counter-terrorist options and has sent Congress a legislative package aimed at strengthening anti-terrorist provisions in the federal criminal code.

All told, the latest spate of high-level attention may plug a few loopholes but is not likely significantly to diminish the threat. For one thing, the security infrastructure to fight terrorism is in place and operational in most civilized countries. There is hardly a terrorist crime imaginable that is not covered in the statutes. The real obstacle to effective containment of terrorism is the growth of its international dimension and its politicization by government leaders and the media through a broadening of the definition to encompass virtually all political violence.

Properly speaking, terrorism is the sustained clandestine use of force to achieve a political purpose. But all political violence is not necessarily terrorism. The term is totally inappropriate to suicide attacks on military personnel in a war zone, as in the

case of the U.S. Marine bunker in Beirut. Even political assassination may or may not be a terrorist act, depending on the degree of commitment to a program of terror behind it. If extended to every variation of insurgency, armed rebellion and civil warfare, terrorism as a concept loses meaning and becomes a propaganda tool to stigmatize an enemy.

This confusion in terminology does damage in several ways. Failure to discriminate between the deliberate killing of civilians by terrorists and government death squads in order to intimidate a population, and resistance groups' clandestine paramilitary warfare against official and military targets, adds up to the (fallacious) maxim that one man's terrorist is another's freedom-fighter.

By any definition, the Palestine Liberation Organization, Provisional Irish Republican Army and Libyan "hit squads" are terrorists, but one can hardly apply the term to the Polish and French resistance movements of World War II. For the Indian government to attach this label to Sikh extremists is a disservice to public understanding.

The confusion also spills over to remedies. For example, the bills Mr. Reagan proposed are off target. Two of them would implement earlier

blocking the movement of terrorists across frontiers.

The first requirement is better, more up-to-date intelligence through collaboration between national police forces. The second is tighter controls at airports and border-crossing points. In line with Prime Minister Margaret Thatcher's proposal at the summit conference, the third should be an end to immunity for diplomats and embassy installations that depart from bona fide diplomacy, and an international boycott of official personnel implicated in terrorist activities. None of these goals can be achieved without international agreement based on a much sharper definition of what constitutes terrorism.

Reaching a consensus will not be easy. But a start might exclude the predictable attacks common to civil war and anarchy since the beginning of history and concentrate on contemporary attempts to export violence to stable, law-abiding communities. Even ideological adversaries should be able to agree that bombings, shootings and other outrages that put the lives of ordinary men, women and children at risk are common crimes that deserve the full measure of international retribution.

The writer, a senior associate at the Carnegie Endowment for International Peace, contributed this comment to The New York Times.

LETTERS

Politics and Debt

Henry Kissinger's June 25 analysis, "Solving the Debt Crisis: What's Needed Is Statesmanship," was the most realistic appraisal of the situation. In dealing with Third World debtors and by attributing to "financial procedures" the main cause for the waste of the "aid" granted to poor countries, we are overlooking the fact that the capital has not been lent under orthodox banking criteria, i.e., apart from solvency, but that political reasons were also taken into account.

The "aid" was rather a different form of the Marshall Plan. But while the Marshall Plan was intended to help the rehabilitation of European countries with a long tradition of industrial and financial experience and know-how to make use of the money, the aid to the Third World was granted to countries with no such background, disregarding the fact that any economy has a given capacity to absorb borrowing. In the absence of such capacity, any endeavor to solve the problem of financial default through additional excess borrowing usually leads to bankruptcies.

As our remarks give no answer on how to deal with the actual problem of imminent danger to the international banking system, the following practical ideas could contribute, per-

(Continued on Page 4)

ld Debt Crisis

nee. Fatigue
ng the West

SPAIN

A SPECIAL REPORT

MONDAY, JULY 2, 1984

Page 7



Full dress review: The royal family, at left, and Prime Minister Felipe Gonzalez, second from right, review Spanish troops in Madrid.

Unemployment Continues to Counter Solid Achievements in the Economy

By Robert Holloway

MADRID — Eight years after the restoration of democracy, the Spanish economy still has a hangover. In the pithy assessment of Carlos Cortés, secretary-general of the influential Businessmen's Circle, "a large part of our profits has been used to destroy jobs."

In statistical terms the achievements of the Socialist government of Prime Minister Felipe Gonzalez since it took office in December 1982 are impressive.

The inflation rate, then running at 14 percent a year, will range between 8 and 9 percent by the end of this year, independent forecasters have said.

Gross domestic product grew 2.2 percent last year and foreign economists in Madrid say that the Organization for Economic Cooperation and Development's prediction of 2 percent this year is conservative.

By devaluing the peseta as soon as it took office the government helped depress imports, and the current account deficit shrank from \$4.2 billion in 1982 to \$2.5 billion last year.

Anselmo Calleja, director of forecasts at the Economy Ministry, said in June that the account may now be in balance.

But these results must be set against the highest unemployment rate in the West, crippling inefficiency and huge financial losses in heavy industry, and a lack of confidence in the private sector.

Mr. Cortés rejected Mr. Calleja's contention that "four decades of protectionism under Franco sheltered businessmen from virtually all risks and they are now timorous about investing unless they can see high profit margins, much higher than you are used to outside Spain."

The government plans to invest \$6 billion over the next three years to restructure industry. Steel output fell slightly last year, to 12 million metric tons, less than two-thirds of capacity, and losses were estimated at 30 billion pesetas.

Shipyards lost 45 billion pesetas.

Businessmen, in Mr. Cortés' view, have no incentive to invest. Their chief demand is a dismantling of the vestiges of Franco's labor laws. A trade-off between the dictatorship and state-controlled unions made it almost impossible to fire workers, in exchange for low wages and a ban on strikes.

Franco also granted businesses very low interest rates on bank loans.

Rapid wage rises following the restoration of democracy, coupled with higher interest rates and other inflationary pressures, such as the 1979 oil price rise, drove many small companies into bankruptcy. This and the recession in Northern Europe, which forced thousands of migrant workers to return home, sent the unemployment rate from 7.5 percent in 1979 to 20 percent in the first half of this year.

"Investment in the private sector is mainly looked at as a way of solving the rigidities of the labor market, rather than as a means of expanding capacity and seeking new markets," a leading banker said.

A bill before the Cortes would permit employers to hire and fire workers on three-year contracts, but the government is not expected to take firmer steps toward a more flexible labor market because it needs the support of the unions to restrict public-sector wage rises and to modernize industry, a process that will cut out an estimated 60,000 jobs.

Paulino Barrabés, an official of the Socialist UGT, the General Union of Spanish Workers, said, "This government has the merit of facing facts," and added, "We are ready to make sacrifices to create employment in the long run." The UGT agreed to limit public-sector wage increases this year to about 7 percent, well below the inflation rate.

But Mr. Barrabés described as "monstrous" the privately expressed opinion of a senior government official that the administration would cease to regard unemployment as its top priority if it were halved to 10 percent.

And Marcelino Camacho, secretary-general of the Communist Workers' Commission (CO), insists that full employment is possible. "The seven largest private banks doubled their gross profits last year," he said. "Their deposits totaled 22 billion pesetas and we have proposed creating a national solidarity fund using that money to restructure industry and implement full agrarian reform."

The CO has refused to sign any agreements with the Gonzalez government, which Mr. Camacho describes as "right of the Christian

Criticism of Socialist Policies Rises, but Public Support Holds

By Tom Burns

MADRID — Gonzalez-style socialism has gradually begun to grow sour in Spain. In the last year, there has been a palpable change in the public perception of the *cambo*, the change that Prime Minister Felipe Gonzalez so boldly promised when he won a landslide electoral victory in 1982.

There has not been the accelerated fall-off in support experienced by France's President François Mitterrand. Mr. Gonzalez's personal approval rating has not dipped below 40 percent, a statistic his aides see as encouraging midway through his term of office.

But criticism of the government's policies has grown markedly, and what Spaniards call *desencanto*, disenchantment, with the administration appears to have set in and is likely to increase.

The beginning of this year brought the most widespread strike movement experienced by Spain for nearly a decade. The last months have seen the consolidation of local nationalist power in Catalonia and in the Basque country, making even more vexed the volatile, unresolved issue of regionalism vs. Madrid.

There are, moreover, two key electoral pledges that Mr. Gonzalez and his team now wish they had never made but that public opinion in Spain is determined not to forget: to maintain income levels and create employment, and to stage a referendum on continued membership in the North Atlantic Treaty Organization. The erosion of Mr. Gonzalez's credibility is closely linked to both issues.

Throughout the year Mr. Gonzalez has made little use of his ability to communicate, which is his greatest political asset. In March, he made his first prime-time television broadcast and appealed for wage restraints. The message, in a first-side-chat format, made little impact. In June, Mr. Gonzalez gave an unprecedented two-hour news conference to a panel of journalists, carried live on all the major radio stations. The performance received lackluster notices in the newspapers.

There is talk of the Moncloa syndrome, after the Moncloa Palace, the prime minister's official residence. This ailment seems to cut off the palace's occupants from the public and virtually strike him dumb, as once occurred with Adolfo Suarez, the charismatic former prime minister and the chief architect of the post-Franco political transition, who is now in the political wilderness.

Despite the criticisms, Mr. Gonzalez has kept his initial government team. But it is an open secret in Madrid political circles that the deputy prime minister, Alfonso Guerra, and the economy and finance minister, Miguel Boyer, are barely on speaking terms, that Foreign Minister Fernando Morán has scarce control over foreign policy issues and that Industry Minister Carlos Solchaga, the lynchpin of the government's key industrial streamlining policy, has been close to resigning because of opposition to his program in the labor movement.

Ahead lie the troubled waters of the Socialist Party convention, the first since Mr. Gonzalez took office. It is scheduled for December. There is unlikely to be a party rank-and-file revolt at the convention because, as one cabinet minister put it candidly and in private, "Most of the convention's delegates are on the administration's payroll." But the stringent and unpopular austerity measures, the regional political setbacks, the ambiguity over NATO and the steadily rising unemployment rate will be critically scrutinized, under the full glare of national publicity.

Strikes have been the most visible example of public unrest. In the first four months of 1984, according to figures released by the National Employers Association, there were 1,451 industrial disputes involving more than three million workers. The number of strikes was up 22 percent from the corresponding period last year and the number of employees involved rose 142 percent.

Some of the strikes were staged to protest streamlining in loss-making industries. There were large anti-government demonstrations against layoffs in steel and shipbuilding. These could spread in the months ahead.

There were strikes in other sectors over pay as employers applied a government guideline of a 6.5-percent maximum wage rise. The pay ceiling is below the inflation rate, which is expected to be 8 to 9 percent at the end of this year. The disputes involved a wide cross section, from construction workers to airline pilots and from mailmen to university professors.

The government's economic policy has received the broad backing of the International Monetary Fund and the Organization for Economic Cooperation and Development. Both agencies point out that it is the only policy Spain can apply in order to reduce the public deficit, lower inflation and streamline the economy for entry into the European Community.

The political consequences of austerity, however, when applied by a Socialist government, is disarray within the government's own support. Mr. Gonzalez's government is, in the main, carrying out the thankless, and ultimately self-destructive, task of managing the crisis in the manner of Social Democratic governments in Northern Europe during the last decade.

A pointed indicator of the political and economic climate in Spain is that Spanish business is still not willing or able to invest in the domestic economy. The Spanish banks, which are the real owners of Spanish business, are steadily de-investing and selling, where possible, to foreign investors. With its

Vital Foreign Policy Decisions Delayed

MADRID — At the beginning of this year the foreign affairs spokesman of the conservative opposition in the Cortes caused an uproar when he accused Prime Minister Felipe Gonzalez's government of pursuing a "red" foreign policy. The opposition took up the theme again when Fidel Castro of Cuba, making a stopover after visiting Moscow, was invited to lunch at the prime minister's official residence.

In contrast, a steadily growing protest movement, spearheaded by the minority Communist Party, accused Mr. Gonzalez of selling out to the Reagan administration and reneging on pledges to hold a referendum on continued membership in the North Atlantic Treaty Organization.

Spanish foreign policy is, of course, neither red nor Reaganite, but the two accusations illustrate the ambiguity that often permeates Madrid's external relations.

Officially, 18 months after it took office, the Socialist government is still trying to decide whether to remain in NATO, which Spain joined in May 1982. Entry into the European Community has been a constant both under the present government and of those that preceded it. And events such as a recent visit to Spain by Argentina's president, Raúl Alfonsín, have prompted calls for a "Hispanic commonwealth" and an "Ibero-American community of nations."

The NATO issue is certainly the most complex the government faces in foreign policy. The cabinet is believed to be evenly split on the question. Mr. Gonzalez, whose views outweigh those of everybody else, is probably in favor of remaining. He and his team are extremely evasive on where they stand.

The problem is that the prime minister and his team know that a substantial majority of Spaniards are against being in NATO. They also know that it is difficult, to the point of being unprecedented, to leave the alliance.

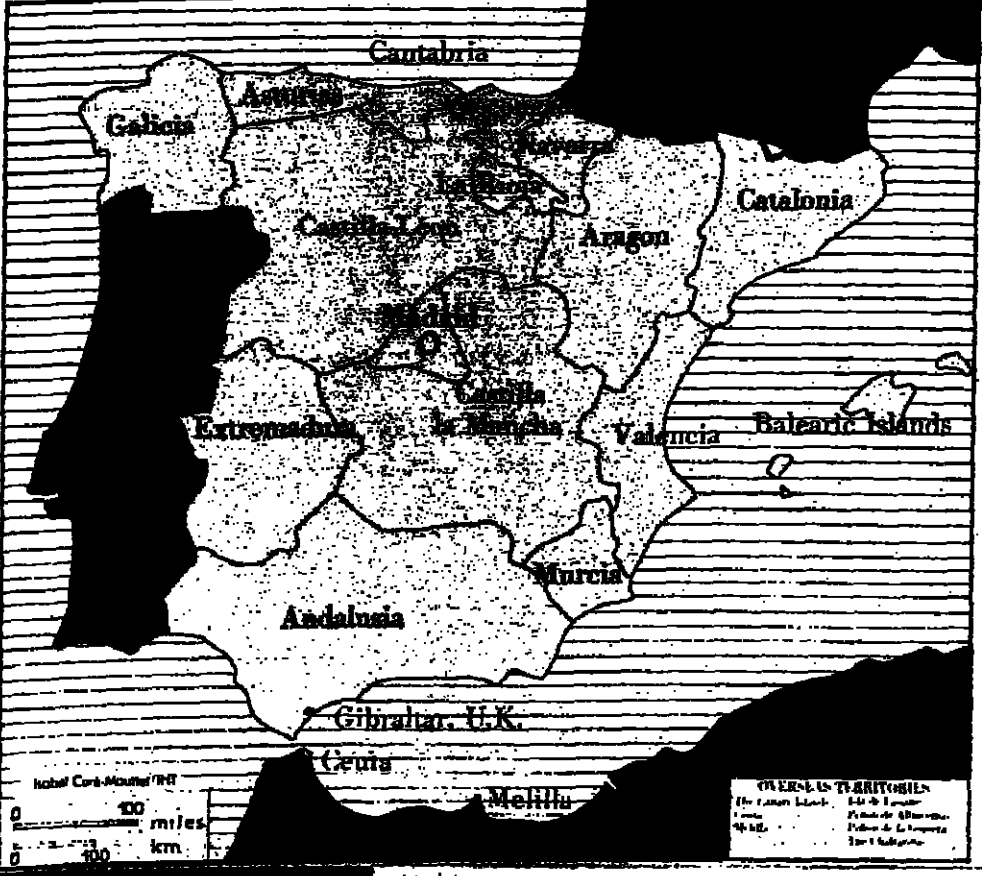
In the course of this year some of the ambiguities on this issue will be resolved. Mr. Gonzalez has said that before the Socialist Party convention, which is scheduled for De-

BANCO EXTERIOR GROUP... OF SPAIN... OF FEDERAL REPUBLIC OF GERMANY... OF BELGIUM... OF NETHERLANDS... OF ITALY... OF THE UNITED KINGDOM... OF ECUADOR... OF PERU... OF ARGENTINA... OF PANAMA... OF PARAGUAY... OF EQUATORIAL GUINEA... OF COLOMBIA... OF BRAZIL... OF FRANCE... OF GUATEMALA... OF SAUDI ARABIA... OF THE UNITED STATES... OF MEXICO... OF USSR... OF VENEZUELA... OF SWITZERLAND... OF SINGAPORE... OF PORTUGAL... OF EGYPT... OF CAYMAN ISLANDS... OF URUGUAY... OF BOLIVIA... OF CHILE... OF THE WORLD.

Sea of Red Ink Is Threatening Decentralization

By Victor de la Serna

MADRID — Creating a quasi-federal state seemed, to many politicians in the early years of Spain's democratic regime, a cure-all for internal tensions and for the pent-up demands of minorities in what for three centuries had been a highly centralized nation. The "state of autonomies" was devised to satisfy separatist feelings in Catalonia and the Basque country while giving similar home-rule status to other regions — thus placating the military and the conservatives, who objected to any special plan for the Basques and Catalans and feared a



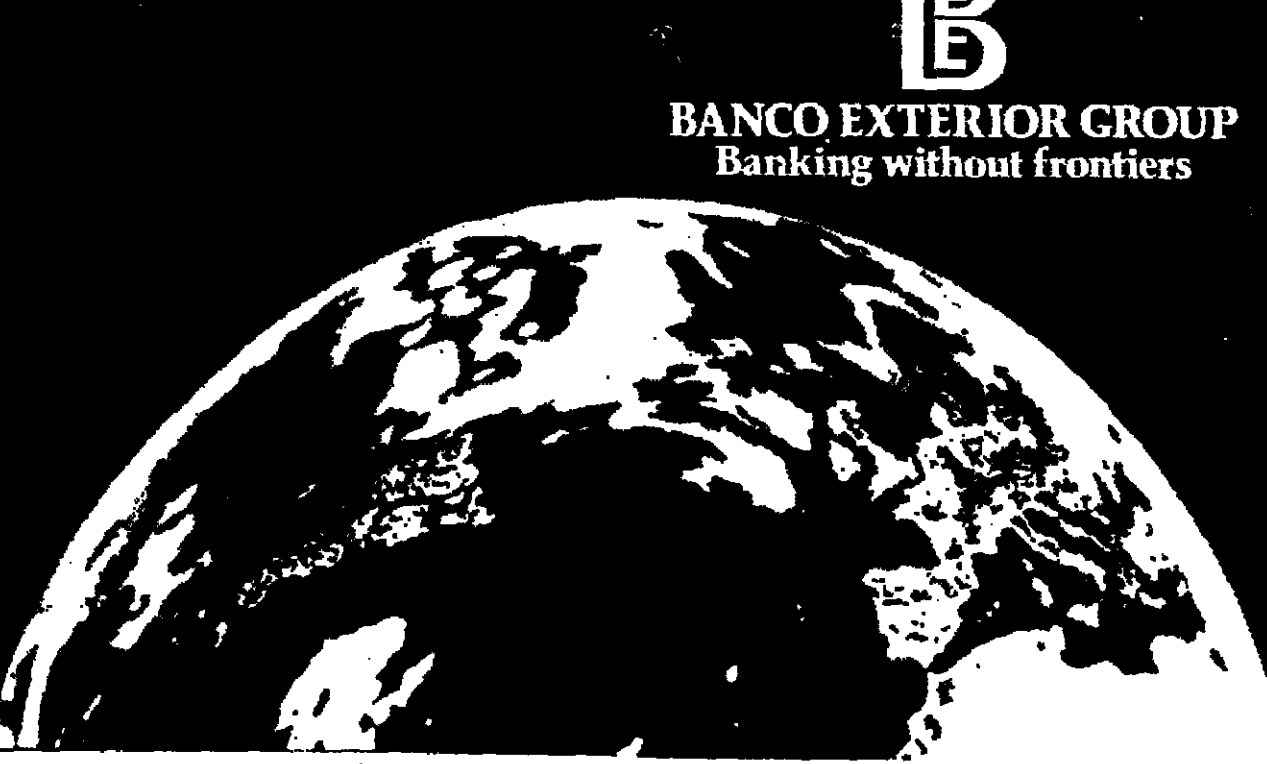
plan are being debated by the Madrid government. "The autonomies will not be curtailed by any sort of legislation," said a spokesman for the Territorial Administration Ministry. "There's no question of doing so, since it would entail revising the constitution. But that does not mean that there will be no attempts to rationalize the cost of the system. We have found out that some of these regional governments were rather poor administrators."

Fernando Jáuregui, a Madrid journalist, believes a tightening of the financial reins might have results similar to those of a legal reform of the regional setup. Mr. Jáuregui created a stir earlier this year with a report in the newspaper *El País* on the costs of the 17 regional governments. The report said they had added 130 billion pesetas to the country's large budget deficit.

The Socialists are trying to severely tone down the rate at which expenses and ambitious projects were developing in the 13 regions where they hold office," Mr. Jáuregui said. "Madrid can also postpone transferring to some regions those areas of administrative power still in the hands of the central government."

Belatedly, Spain is recalling the warnings made by Josep Tarradellas, the veteran Catalan leader, who has said since 1977 that "besides Catalonia and the Basque country, no Spanish region has any tradition of or longing for a home-rule or federal system, so that any artificial creation may become ineffective and ruinous."

A general cause for the cost and



SPAIN

Paperwork Slows Decentralization Plan

(Continued From Previous Page)

low effectiveness of the system, many officials say, is the inability of the central and regional governments to keep down the number of public servants, which has skyrocketed in the regional administrations without a commensurate reduction in the national administration. In addition, the superimposed administrations are often bogged down by bickering over their respective duties and prerogatives — even, it appears, in areas where a clear legal boundary exists between local and national responsibilities.

Examples of personnel inflation abound. In the relatively low-priority agriculture and fisheries department of the Catalan government — in a heavily industrialized region — there are 37 more high-ranking officials than there were before Catalonia became autonomous.

With 17 regional parliaments (all of whose elected members earn salaries), 17 regional governments with about 150 regional ministers and many new regional departments, a whole new class of high-ranking public officials has appeared overnight. Many regional ministers are as well-paid as their colleagues in Madrid. Indeed, two regional heads of government, in Catalonia and Cantabria, earn more than \$70,000 each, between

salary and expense accounts. That is about what Prime Minister Felipe González earns. In a relatively poor country with a 20-percent unemployment rate, these figures are quite unpopular.

The problem is compounded by the lack of a federalist tradition in Spain, as cited by Mr. Tarradellas, and by a lax, imperfect system of regional budgeting and financing. As a result, citizens often feel far removed from the new system.

In Cantabria, a small region west of the Basque country, a local government official and former newspaperman, José Ramón Sáiz, recently confessed, "Right now we are a failure, as much in terms of effectiveness as in terms of popular support for our government."

Except in Catalonia and the Basque country, indifference to the regional authorities has been widespread. The Catalans and Basques, who had long-standing aspirations to autonomy — or independence — for cultural, linguistic and political reasons, are governed by nationalist parties and have shown great interest in the development of home rule. Elsewhere, few citizens know the name of the regional head of government.

In the words of Antonio Fontán, a former territorial administration minister with Adolfo Suárez's centrist government, "a purely electoral

show of one-upmanship" by the centrists and the Socialists was the primary reason the system got out of hand in 1980.

Two paths to home rule had been included in the 1978 constitution — a fast one for the "historic nationalities" of Catalonia, the Basque country and Galicia, and a gradual, limited one for everyone else. But the centrists and Socialists stirred nationalist feelings in Andalusia in an effort to undermine one another, and suddenly every local boss wanted as many rights as the Basques and Catalans.

Now, solutions are difficult to find. Legally, nothing can be done without a constitutional upheaval. All regions have received a large majority of the administrative powers included in their respective "autonomy statutes" — 90 percent in the case of the Madrid region and, paradoxically, just 70 percent in the Basque country, where mutual distrust has slowed down the pace of transferring chunks of the administration, particularly in health services.

While the devolution plan is irreversible, better ways of controlling waste and improving the citizens' control over spending could be devised. In the hurried process of granting autonomies, little was foreseen in terms of fiscal and financial control.

When Andrés Hernández Ros, the Socialist head of the Murcia region, had to resign earlier this year after a bribery scandal, it was discovered that his administration, with a yearly budget of 17 billion pesetas, was preparing a four-year spending plan of 200 billion pesetas.

Except in the Basque country, regional governments do not collect taxes; they receive a portion of the national budget. But they are free to raise loans in the national and European markets. Direct tax collection by regional authorities has been mentioned as a solution to the problem — it would ensure a rapid rise in popular interest by the local voters in the fiscal plans announced by candidates in regional elections, and make accountability a more common word than it is today.

As El País stated in a recent editorial, "In order to avoid the self-destruction of our state of autonomies" — because of superimposed powers, of malfunctioning decision centers, of the cost of maintaining administrative machinery and of the tribal struggles of small-scale politicians in search of power and money — it will be necessary for all democratic forces to face up seriously to the way to solve the unprecedented and difficult problems created by the new reality."

Unemployment Continues to Counter Economic Gains

(Continued From Previous Page)

is growing sour. In early June the Democrat government, which preceded it, talks involving the CO, UGT and employers' association on a national wage pact collapsed in January.

Despite the employers' declared lack of confidence, there was a large inflow of capital, reversing a

trend that occurred after the Socialists won the 1982 election. Foreign exchange holdings increased in the first five months of this year by \$2.3 billion, and economists at a Western embassy said Spain made advance repayments on part of its national debt, standing at \$30 billion.

"The reflow can partly be explained by the overvaluation of ex-

ports, which compensated for underinvoicing when exporters speculated on a devaluation in the autumn of 1982," a source at the embassy said.

If underinvoicing and overinvoicing suggest that last year's trade figures give an exaggerated impression of Spain's real performance, banking sources say the government's economic growth sta-

tistics are also misleading. "A 23-percent rise in automobile production was due to the start-up of the General Motors plant at Zaragoza, which turned out 240,000 cars," a source said. "Without that Spain's production would have declined."

Conversely, the government argues that the effects of unemployment are mitigated by the existence of a large underground economy.

Government Hopes to Expand Tourism

MADRID — For many people Spain is virtually synonymous with tourism. But, given the numbers who inhabit and visit it, it is probably the least-known country in Western Europe.

Last year more than 39 million tourists and day-trippers crossed its frontiers, one for each Spaniard, yet barely 5 percent of them ventured beyond the Mediterranean coasts, the Balearic Islands or the Canaries. Even Madrid, whose Prado is one of the finest art museums in the world, is not named in the official statistical handbook on Spanish tourist regions but is classified among "others."

The Monty Python lampoon of Philistine sun worshippers downing imported beer in graceless hotels to the strains of phony flamenco music may be cruel, but it is not entirely inaccurate.

"We have launched a campaign to break away from the association of tourism with beaches," said Ignacio Fucja, secretary-gen-

eral for tourism. "Our slogan in the United States is, 'All Europe in a Single Country,' and we hope to promote the cultural and sporting attractions of the interior."

The motive is largely economic. Almost half Spain's visitors come from France and Portugal, mostly for brief camping holidays. The strength of the peseta against the franc and escudo cut these visitors' numbers by 1.3 million last year, to 18.8 million, although this was largely offset by additional tourists from Britain and West Germany, who now total more than 10 million a year and who typically stay in package-tour hotels.

Prices for cheaper accommodations have risen much more steeply in recent years than in four- and five-star establishments, and traditional tourist centers are close to saturation point. Receipts in pesetas increased by more than a quarter last year but, because of the currency's sharp fall against the dollar, for-

eign-exchange takings shrank from \$7.13 billion in 1982 to \$6.84 billion.

Planners say that, in addition to the United States, there is a large untapped domestic market. Distances between the main population centers, and the nationalistic outlook of certain regional minorities, mean many Spaniards are less acquainted with their own country than, say, the British or Germans with theirs. Mr. Fucja conceded, "We can never hope to develop a domestic market comparable to our foreign tourist trade, but there is room for great expansion."

The streets of the southern city of Granada, for instance, are decorated this year with posters extolling the gastronomic delights of Galicia, in the northwest. A shrewd ploy, since while the region of Andalusia contains some of the finest Moorish architecture existing, its most celebrated restaurants, such as

(Continued on Next Page)

Criticism of Socialist Policies Increases

(Continued From Previous Page)

highly regarded philosopher Julian Marías published a disquieting and controversial article, entitled "Freedom on the Wane," in the conservative Madrid newspaper ABC.

Professor Marías' theme was that under Mr. González's government there had been a steady encroachment of the liberties that had characterized the post-Franco period. The Socialist administration, he said, was carrying out subtle changes in education, the justice system, the economy, the media and the civil service that together formed part of a strategy aiming to make socialism in Spain irreversible.

He wrote that "exasperation" was setting in, and added: "Innumerable Spaniards, of all the social strata and of all ideologies, feel themselves to be uncomfortable,

spied upon, manipulated, threatened."

An opponent of the Franco dictatorship, who because of his stand was denied a university chair during the Franco era, Professor Marías is no reactionary polemicist. His broadside on the government stung Mr. González into saying that he was not prepared to take lessons in liberty from the professor or from anyone else since he had devoted his life to the cause of freedom in Spain.

Many Spaniards would probably say that the professor had had overstated his case. Mr. González is in fact criticized by the left wing of his own party for his caution. They say the prime minister has not traveled far enough along the socialist road.

But a year ago no Spanish intellectual of repute would even have advanced such a thesis. Professor Marías' article caused something of a sensation.

Despite everything, Mr. González retains a large measure of the widespread personal popularity that swept his party to power. The notion that he combines pragmatism and decisiveness with idealism and compassion continues to stick. The *descamisado* of the past months has much to do with the facts that too many hopes were placed in the young and inexperienced team Mr. González headed and that not enough was known about the severe economic problems it inherited. So far Mr. González himself has escaped the brunt of the criticism.

Members of the government, when discussing the drop in support, make the salient point that the dip in the backing for the Socialists and the eruption of labor discontent is not matched by any marked increase in popularity for the conservative opposition. Thus, the stability of Mr. González's government often appears to owe more to a negative aspect — absence of a credible alternative — than to positive support.

Manuel Fraga's conservative opposition movement, *Coalición Popular*, had a negligible showing in the Basque and Catalan elections. Spaniards who when polled say that life has not improved under Mr. González also say that it would not improve under Mr. Fraga.

Important Foreign Policy Decisions Remain

(Continued From Previous Page)

mand or maintaining bilateral defense accords with the United States. Either way, neutralism is ruled out.

These options please nobody. Spanish peace marchers call for an end to NATO membership and the dismantling of the four U.S.-Spanish bases of the bilateral pact. The pro-NATO side wants full integration in the alliance. Spain withdrew from the military command immediately after Mr. González took office. Other NATO members are unlikely to allow Spain to be a special case, refusing to join the military command, for much longer (though France pulled out of the military command in 1966). The United States, for its part, urged Spain to be a NATO member precisely because it did not want the bilateral agreement that Mr. González put forward as his second option.

Governing the NATO question in a manner that is not always perceived outside Spain is the issue of EC membership. If Spain is offered unacceptably harsh terms, or indeed no terms at all, on the EC, it will certainly withdraw from NATO. Favorable terms to accede to the Treaty of Rome would make

the task of the Spanish pro-NATO lobby immeasurably easier.

The present schedule calls for EC negotiations to be completed by September, to allow accession on Jan. 1, 1986. But nobody is making any bets. The EC's budget problems may delay enlargement indefinitely. The terms, especially transition terms for Spanish agriculture and the timing of bringing down tariffs, might simply be too tough for Spain to contemplate. A byword now among Spanish public figures is that "Spain cannot join at any price." A year or so ago nobody was saying that.

EC entry would end the ambiguities of Spain's foreign policy. There is no practical basis for the nonaligned, Third-World-leaning visions of an "Ibero-American community," although the emotional and cultural ties are real enough. More than half of Spain's trade is with the EC, against about 5 percent with Latin America.

As Spanish officials see it, the real stumbling block to an easy passage into Europe remains France. An imaginative and courageous feature of foreign policy in Mr. González's administration has been the attempt to mend bridges

with France. The credit in this is due to Foreign Minister Fernando Morán, who recognized the futility of the bids by previous administrations to enter Europe in spite and in defiance of France. In a 180-degree turn of previous policy Mr. Morán began using new language, arguing that Spain would only enter Europe if France were making the introductions. Mr. Morán used enthusiastic terminology and talked in terms of a "family pact," recalling the times when France and Spain were ruled by Bourbon monarchs.

In the event, far less has been achieved than had been hoped for in terms of EC entry, and the stumbling block remains. There has been, however, a key consequence of the changed official attitude toward France, which has had a direct impact on Spain's internal stability. The past months have seen intensified cooperation between France and Spain over controlling the Spanish Basque refugees in southwest France who form the kernel of the separatist movement ETA. Action against ETA hovers in France as seen as essential if terrorism in Spain's Basque country is to be contained.

— TOM BURNS



The only Spanish Bank who speaks italian, french and english and, of course, spanish.

Talking about business, Banco de Bilbao has a lot to say, in many languages, for better understanding with the whole World.

We are the great internationally spread Spanish Bank with over 125 years of tradition and experience with over 1,200 offices in Spain and offices in France (12), London (5), Milan, Jersey, New York*, Miami, Grand Cayman, Panamá and representative offices in Frankfurt, Lisbon, Zurich, Buenos Aires, Rio de Janeiro, Bogotá, México, Caracas and Japan. Always in permanent contact to facilitate all your commercial, banking or financial transactions.

Contact us. Our international division is at your disposal in Madrid, where you will find assistance in everything you may need, in your own language. The language of your business.

Paris.	Tel. 261 56 41
London.	Tel. 623 30 60
New York.	Tel. 826 13 20
Miami.	Tel. 371 75 44
Milan.	Tel. 66 61 14
Jersey.	Tel. 7 51 48
Panamá.	Tel. 63 69 22

(*) Member of the Federal Deposit Insurance Corporation.

BB BANCO DE BILBAO

GENERAL MANAGEMENT INTERNATIONAL Castellana, 81 Madrid-16 Telex: 44458 BBAI-45938 BBAI Tel. (91) 455 31 23-455 21 40

"Efficiency knows no boundaries."

Roads lead to places.
To people. To opportunities.
With the quiet care of the professional
Rent helps you to get to the place
of your choice. To the people,
and to the opportunities they hold.
Bon voyage!

interRent

The international car rental system

Serving you at the most frequently visited airports and business centers — and beyond!

Also in Spain. With about 90 airport and city locations.
Head Offices Madrid 54 450 20 62, Las Palmas/Gran Canaria 27 77 13,
Buenos Aires 47 47 47 47

صكنا من الاجل

SPAIN

Foreign Investment Becomes a Priority For the Economy

By Vivian Lewis

MADRID — Both sides agree: What's good for General Motors is good for Spain. The authorities are doing their utmost to welcome foreign investors, with priority financing, development zones, investment incentives, tax advantages. For these carrots, investors submit to the stick: performance requirements on export volume, balance of payments contribution, local content. Everyone wins.

A respected independent economist calculated that in 1983 General Motors alone accounted for 60 percent of the total national increase in production of manufactured goods. In the absence of alternative domestic sources of investment — because banks lack lending capacity, because Spanish industrialists lack cash — new plants and equipment in Spain have to come from foreign investors.

The scale of the GM plant near Zaragoza, employing 9,800 persons and exporting 198,000 cars in 1983, means the economy cannot do as well this year as it did during the start-up period. But in 1984 to date, Spain has won a few more major international investments: Firestone, in a new tire venture; Lesieur, in table oil; Arco, in polyethylene (buying out family interests in Arrabene); Anheuser-Busch, in a sixth industrial-scale brewery for its Bimbo breads; Nixdorf, with a new Toledo electronics plant; Spillfire, with a Malaga assembly line for helicopters, making 32 craft in 1984 and 400 a year by 1989.

Talks are going on about high-tech investments by Olivetti (computers), Fujitsu Fanuc (robots) and Hitachi (computers and video cassette recorders).

Last year, total foreign investment was 158 billion pesetas. Because the GM contribution ended when its plant was completed last year, this was a 13.5-percent drop from the total of 183 billion pesetas in 1982. And the United States lost its billing as top source — to France. This is not surprising, given the long border France and Spain share, but it should help lay to rest an accusation commonly heard in Paris: that Spain is used as an "aircraft carrier" by U.S. and Japanese multinational corporations to invade Western European markets. In fact, 63 percent of all foreign investment in Spain last

year came from European Community countries.

U.S. automakers, unlike French supermarkets or bulk owners, are subject to careful monitoring. Xavier Orma y Moyna, director at GM, said the company was required to undertake to export at least two-thirds of the output of its plant. "In fact, last year we exported 82 or 83 percent," he said. GM also got targets for local content in its cars: 50 percent at the start, and 60 percent within two years. Again, Mr. Orma said, "by last August we were at 60 percent and we are now running at 62 to 63 percent." The company also made commitments on its impact on the Spanish trade balance, agreeing to export 125 percent of what it imported. The target was surpassed, at 140 percent.

Mr. Orma believes these so-called performance requirements "would not remain legally valid if Spain was in the EEC." He said: "Of course we are doing better than the targets because we feel that it is good for us. But the only thing that would still apply during an EEC transition period would be the import duty on foreign cars sold in Spain."

That is no small figure. Patrick Byrne, president of Ford-España, said that "duties and taxes on imports come to 60 percent of the price of a car."

Mr. Byrne's company was subject to the same export rule but the local content requirement on Ford is only 55 percent. "Our assumption is that performance requirements will be removed," Mr. Byrne said, "but we can't afford to act on that assumption until we are sure."

The foreign presence in Spain is not wholly dependent on incentives. And there are no instances known to the U.S. Embassy in Madrid of companies failing to meet performance requirement levels. As a result, no one knows if the requirements are enforceable, if companies could be made to turn back their investment incentive funds or tax rebates.

A new plant set up in Spain is not usually there merely because of incentives. Foreign manufacturers are lured to Spain as much because of the vast potential market: There are only 212 cars per thousand Spaniards, for example, compared to between 300 and 400 per thousand in Northern Europe.

Expanding Tourism

(Continued From Previous Page)

El Cabello Rojo, opposite the mosque in Córdoba, are at best mundane.

The chief obstacle to opening the interior is lack of communications beyond the road and rail networks radiating from Madrid. Main line services are excellent. The Talgo express introduced in the late 1960s remains superior to anything in Europe except perhaps the most modern French trains, and those have less leg room. A first-class ticket from Madrid to Córdoba costs 3,318 pesetas, significantly less than the cost of traveling a comparable distance in France; a good three-course meal comes to about 1,500 pesetas, wine, coffee and cognac included.

But between Córdoba and Granada, two of the four principal cities in Andalusia, there is no direct rail link. Three daily buses take about five hours to cover 100 miles (160 kilometers), stopping in numerous villages. It is a pleasant journey in late spring when the fields are full of poppies and cornflowers after an unusually long and wet winter. To attempt it in summer, when temperatures may exceed 40 degrees Celsius (104 degrees Fahrenheit), would test the spirit, especially of those with young children.

Not all officials share the enthusiasm of central government planners. Julio Anguita, mayor of Córdoba, believes that "the future of Córdoba lies partly in the past." But he quickly added that the Moorish caliphate, which ended in 1236, should be an inspiration rather than a tourist attraction. "We want a city full of beautiful gardens and libraries," he said. "Tourism is fine so long as the people do not sell themselves. Córdoba is not a prostitute. There will be no fun palaces here."

Mr. Anguita is the only Communist mayor in Spain, something that surprised at least one American couple in the luxury Maimonides hotel in the elegant historic center, where every house seems built round a flower-filled patio.

— ROBERT HOLLOWAY

Islamic Heritage Is an Issue in Andalusia

GRANADA — "Granada should never have been reconquered!"

The line, spoken by a crippled medieval warrior, produced a storm of applause when Antonio Gala's play "Las Citaras Colgadas de los Arboles" was first performed in Madrid a year before Franco's death in 1975.

Theatergoers interpreted his criticism of Ferdinand and Isabella, the Catholic monarchs who expelled the Moors from Spain in 1492, as an attack on the modern church for supporting Franco's dictatorship.

Franco, who had done his share of conquering Spanish cities in the Civil War, encouraged the cult of "Los Reyes Católicos" because, Mr. Gala explained in a recent interview, "religion was the only force capable of binding so divided a country."

But he insisted that his play was not allegory. Almost five centuries later, he said, "Spain is inexplicable without Islam," although there is scarcely a Moslem left in the country.

The theme has been taken up by autonomists, artists and politicians

in Andalusia, the southern region that includes Granada, Seville and Córdoba.

Julio Anguita, the Communist mayor of Córdoba, said he doubted that there were now more than 30 Moslems in the city, which once had 3,000 mosques and was, after Baghdad, the greatest political and cultural center in the Arab world. But he found surprising public support when he tried in 1981 to sell a disused Catholic church to an Arab group.

The move recalled the destruction of much of Córdoba's magnificent 10th-century mosque, which was converted into a cathedral in the 18th century. The bishop managed to block the sale, but the church of Santa Anna remains closed. Local newspaper files contain letters of support for the mayor.

A casual conversation reveals that people remember with mixed admiration and amusement the bitter public exchange of letters between mayor and bishop that culminated in Mr. Anguita's "I am your mayor; you are not my bishop!"

This might seem populist poli-

ticking, but Carlos Cano, one of the region's most successful singers, agrees with Mr. Anguita that "the spirit of Andalusia is anarchist."

The bishop had claimed that Catholicism, unlike Islam, was "a developed religion," but, Mr. Cano said, "People here have always resisted authority, and the church has a weaker following than in other parts of Spain."

The autonomous government of Andalusia, created after the restoration of democracy, recently agreed to withdraw from schools a history book that referred in derogatory terms to the anarcho-syndicalist agricultural workers' movement that flourished in pre-Franco days.

The association of Islam with anarchism may strike a visitor as incongruous. But, according to a journalist, Antonio Ramos, author of "Pasaporte Andaluz," a study of emigration by unemployed Andalusian workers to Northern Europe, "the word Islam means something different here."

The caliphate, which lasted in Córdoba until 1236, and the later rule of Moorish kings in Granada

were "periods of great broad-mindedness as well as enlightened rule," he said. The intellectual achievements were extraordinary. It was in Andalusia that the Arab philosopher Averroes rediscovered Aristotle for the West.

Mr. Gala agreed that its glittering past makes Islam a focus for autonomist sentiment.

"The mutual fascination of the Arabs for Andalusia and vice versa was a source of cultural cross-fertilization," he said.

"Andalusia was not a dream. It was a reality, full of tensions, which developed in frequently painful ways. Just like the Arab world, whose most brilliant achievements can be seen here today."

Militant Islam and Andalusian autonomy have at least one thing in common

Just as many fundamentalists seek to unite a divided Arab world through Islam, Andalusians commonly remark that, through autonomy for its regions, Spain may achieve a unity that was only skin-deep under Franco.

— ROBERT HOLLOWAY

The New Spanish Cooking Earns Higher International Marks

"They used to say that in Spanish inns one eats only what one brings there. That is no longer true, of course. But it is indispensable to bring a palate devoid of any prejudice."

— James de Coquet, "Propos de Table."

MADRID — No more than 20 years ago, even those who like James de Coquet, a renowned French food writer, said they liked Spanish food always found a way to explain that there was something, well, strange about it. Today, a flurry of culinary activity and creativeness is overcoming prejudices about Spanish cooking, which is emerging more as original and attractive than as strange and disconcerting.

A long history of misgivings about Spanish eating habits is thus slowly crumbling.

The French have had a large part in putting down Spanish cuisine. As the historian André Castelot writes: "Back in the 17th century, Spanish cookery had a very bad reputation, at least among the French. A 'plat à l'espagnole' meant an inedible dish." The reputation has endured.

The roots of the misgivings were often justified: witness the Spanish habit of overusing a good thing by drowning concoctions in too much olive oil. Some were unjustified, such as the American belief that Spanish food is hot and spicy, like Mexican food, which in fact is entirely different.

Much has been swept aside by the wave of creativeness. Although no direct link with Spain's political life can be found, it is apparent that Spanish cooks, as other Spaniards, have freed themselves from old, repetitious routines masquerading as traditions.

"What many of us are doing is much more exciting

and interesting than what the French do," said Ramón Ramírez, one of the leading chefs in Spain. "We can create within a much greater diversity than they have. There is no Spanish cooking, but rather many regional traditions, entirely different from one another. Cooks have a huge array of products and habits from which to gain inspiration."

It is said that Andalusians fry, Castilians roast and Basques stew. And Spain does not have the sort of common culinary trait that in other countries unites all or most regions, such as pasta in Italy or cooking with butter in France.

Foreign influence in the rebirth of Spanish cooking cannot be denied. The Basques and the Catalans, with easy and frequent access to French restaurants, were the first to realize, appreciate and imitate *nouvelle cuisine* in the early 1970s. Their influence later extended to most of Spain.

Nowadays, no leading chef wants to talk about *nouvelle cuisine* — it is no longer a fashionable expression. But they all say they like to create from regional traditions by adding a surprising or exotic touch, or by simply making lighter versions of old dishes.

Also important in this movement is a new breed of well-educated, articulate and well-traveled cooks. This is particularly startling, for the social status of cooks in Spain had been depressingly low.

Mr. Ramírez, 30, is the son of a well-to-do Basque family — from which he has inherited the shiny old Bentley he drives around Madrid. He has earned two Michelin stars for his restaurant, El Amparo, with such creations as angler fish, a firm-fleshed white fish, popular in France and Spain, with times and honey, or sweetbreads in a pastry casing with a purée of wild mushrooms.

The Paul Bocuse of Spain and, at 41, already a fairer figure to the culinary movement, is Juan Mari Arzak of San Sebastián. A former engineer, he opened his restaurant 17 years ago. He moves back and forth between creations — a fish of the day with a creamy green pepper and sage sauce — and rediscoveries of Basque dishes, such as a capon soup, the *kapotxopa*, or white tuna fillets, oven-stewed with tomato.

"During these years I've seen with much satisfaction that cooks and cooking are finally reaching, in Spain, recognition as artists and art," Mr. Arzak said.

"For us Basque cooks, the trend to creativeness has been a breath of fresh air," he said. "Let's face it, our repertoire of dishes was short. It's so much more varied now."

The main rival of Arzak as Spain's best restaurant is Zalacain of Madrid, the creation of the restaurateur Jesús Oyabide and the chef Benjamin Urdiain. In his new guide to 57 cities in Europe and the United States, the British restaurant critic Egon Ronay makes Zalacain one of only 12 three-star restaurants — a higher rating than he gives Mr. Bocuse or any restaurant in the United States.

Also in Madrid, Inaki Oyabide, the 24-year-old son of Zalacain's owner, has enthusiastically taken over the Principe de Viana restaurant and introduced many novelties — including a constant search for fine raw materials. "Would you believe I've finally been able to get real brook trout?" he delightedly told a client. "A fisherman in León province sends me a few every day. I could hardly recognize the taste after all those aquaculture products."

Women figure prominently in the new wave of cooks. Toña Roqué of Azulete and Rosa Grúa of

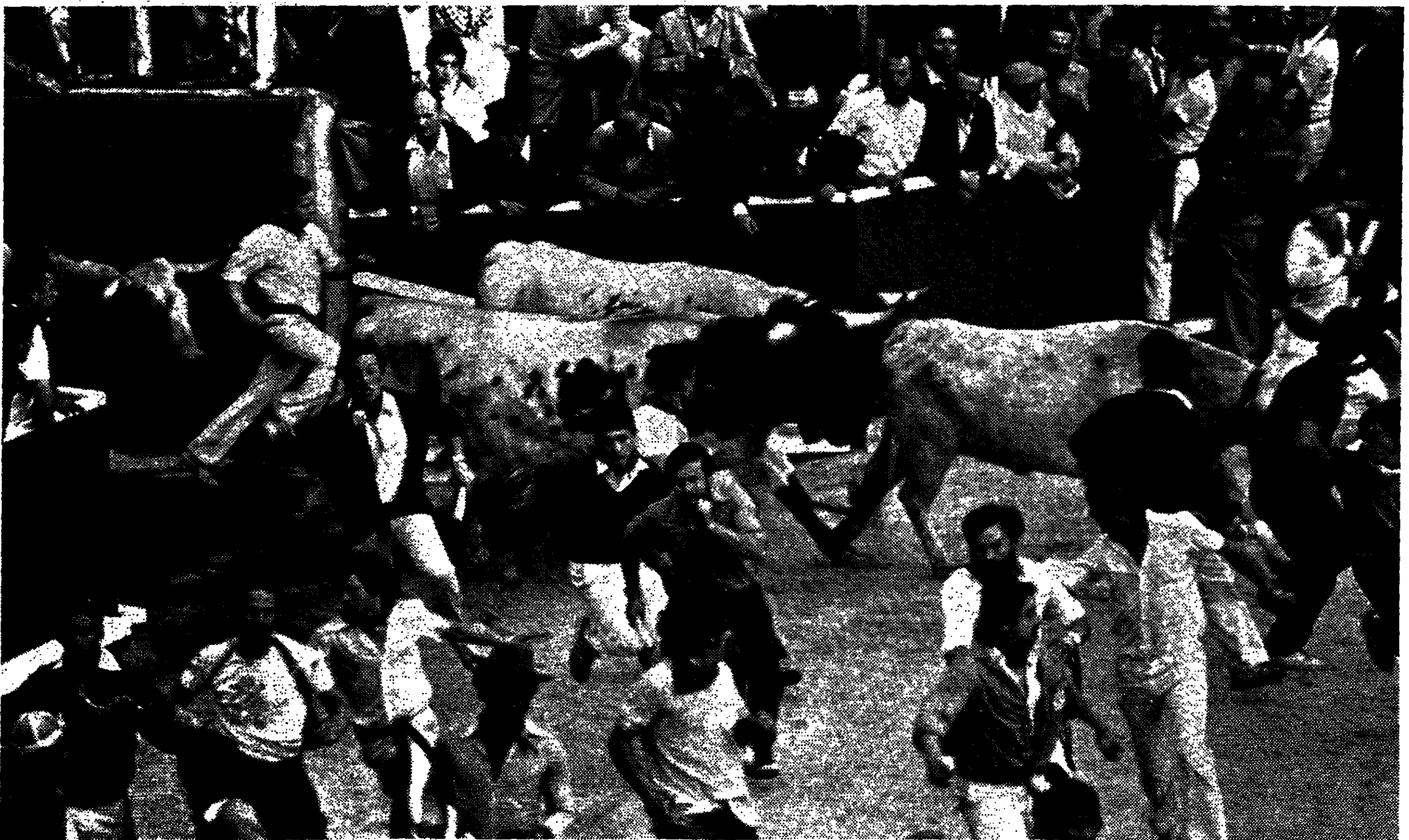
Florian are among the best chefs in Barcelona, a city that has probably surpassed Madrid for the overall quality of its restaurants, according to most Spanish critics. And in the male-chauvinist environment of Basque country — where traditional "gastronomic societies" are as closed to women members and visitors as old Pall Mall clubs — Tatus Fombellida of Renteria's Panier Fleuri has earned the respect of her male counterparts.

Self-made cooks, like self-made painters or novelists, are also to be found in the highly individualistic Spanish society. Abraham Garcia, 34, is a good case in point. Up to the age of 14, he was a shepherd in the poor La Jara region of Toledo province. He then worked as an apprentice at Club 31, a Madrid restaurant known for its routinely classical cuisine. When he set out on his own, without any contacts with innovative colleagues in France or Spain, he started developing his own style at Viridiana — he is a fan of Luis Buñuel — a modest, tiny place with the mock-Castilian look of a Spanish restaurant on New York's 14th Street.

"Giving a little inventiveness to an old dish is a wonderful way to make people order such things as a fried egg or some blood sausage, which are so old hat," Mr. Garcia said.

"The new generation is so different from the old clients. They don't mind at all eating their duck *magret* very rare, or to know that I add bitter chocolate to the lentils with which the duck comes. But when an order for plain fried sole comes in, I don't have to guess the client's age. Fried sole is fine, but for so long it was all we ever had!"

— VICTOR de la SERNA



And all you expected was sunny beaches.

Spain also has flaming nights. Festivals, colorful celebrations deep-rooted in history, are everywhere, and seem to take place at all times. There are, in fact, more than 3,000 festivals a year in Spain, spread out through all twelve months. And they're not just spectator sports. Even tourists get swept up in the

mood and take part in the parties. For example, "La Feria de Sevilla." A gigantic festival in which the gaiety of the Andalusians manifests itself in all its splendour. Magnificent horses, beautiful women and plenty of sherry. You can't be here in April? Then come to July to the

"Fiesta de San Fermín" in Pamplona, immortalized by Ernest Hemingway. This picture shows an "encierro" in which bulls run through the streets of the city with thousands of young men who sing, dance... and run. Or see the famous "Apokalipse Fire", a monumental fireworks display on the eve of the feast of St. James at

Santiago de Compostela. Whenever you come, and wherever you go in Spain, you'll find a land rich in folklore and people eager to explain it and share it with you. When you've had enough beach for one day, just ask "where's the Fiesta tonight?"



Spain. Everything under the sun.

MASTER IN BUSINESS ADMINISTRATION (MBA) PROGRAMME (BI-LINGUAL)

Academic year 1984-1985 - 21st year of our MBA Programme



This is a 21-month fulltime Programme beginning in the middle of September of each year.

One of the principal prerequisites is a completed university study (in any field) or its equivalent. Its aim is to prepare tomorrow's managers to lead business and other organizations successfully within an increasingly complex environment. Applicants must speak English or Spanish sufficiently to be able to follow instruction in one of these languages in the first year; in the second, students are expected to follow courses in both languages (instruction will be given during the first year in the language not spoken by the student).



• IESE's MBA Programme was founded in 1964 and is the oldest in Europe.

• Our experienced faculty is internationally recognized.

• A joint committee of IESE and Harvard Business School professors has been supervising this Programme since its inception.

• The student body is uniquely multinational in origin and international in outlook.

• Participants will become fluent in the two commercially most important Western languages.

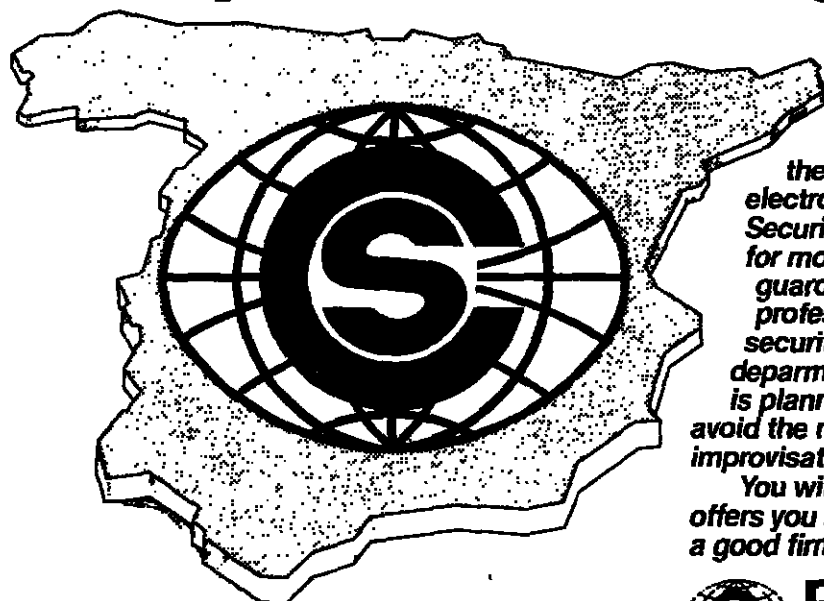
• A student-exchange programme exists with outstanding American and European business schools.

• Both design of the Programme and IESE's location provide a natural commercial and cultural focus on Europe, Spain and Latin America.

Our graduates are sought by companies around the world for the combination of skills they have acquired in our Bilingual MBA Programme.

For further information please write to: MBA Admissions Office, IESE, Avenida Pearson 21, Barcelona 34, Spain, or send a telex (50924 IESE E), Cable to IESE (BARCELONA) or call Nicola Hignaux (Barcelona 37) 204 40 00.

When you need Security in Spain you need Prosegur.



PROSEGUR is a complete security service which offers the most sophisticated electronic systems for High Security. Armoured Division for moving cash. Armed guards, chosen professionals backed by a security engineering department, where everything is planned to the last detail to avoid the need for any improvisation.

You will find that PROSEGUR offers you in Spain the security of a good firm.

PROSEGUR
Compañía de Seguridad, S.A.
MENÉNDEZ PELAYO, 87 - TEL. (91) 433 47 00
TELEX 45894 ADTP E - MADRID-7



Aresbank

Banco Árabe Español

المصرف العربي الإسباني

The following are extracts from the speech delivered by the Chairman of the Board of Directors, Mr. Abdulla A. Saudi:

- Net income for 1983 before provisions for possible loan losses and income taxes amounted to Pesetas 3.821 Million, equivalent to US\$ 24.38 Million. Net profits after income taxes reached Pesetas 1.561 Million.
- Total foreign currency and Peseta deposits at the end of the year totaled the equivalent of US\$ 1.347 Million.
- On May 26th, 1983 the General Assembly decided to double Aresbank's share capital to reach Pesetas 10.500 Million. On December 26th, Pesetas 1.500 Million were

- disbursed, thus bringing the paid-in capital to Pesetas 6.750 Million at year end.
- The Barcelona branch is performing satisfactorily, while our new office in Marbella will be opened this summer.
- Our two main subsidiaries Banco de la Exportación and Arestrade showed profits of Pesetas 162 Million and Pesetas 170 Million respectively. Our other subsidiaries, Aresleasing, Aresinvest and Areservice have also continued their satisfactory development.

Audited balance sheet* (in millions of Spanish pesetas) - December 31st

ASSETS	1982	1983	LIABILITIES AND SHAREHOLDERS' EQUITY	1982	1983
Cash and Bank of Spain	939	251	Deposits	5,426	6,233
Due from banks	112,672	125,784	Due to banks	165,864	200,877
Loans and bills portfolio	67,509	91,908	Cash bonds	3,700	3,700
Provision for possible loan and bill losses	1,676	2,589	Accrued interest payable	3,453	2,969
	65,833	89,309	Rediscounted bills in Bank of Spain	1,356	—
			Notes payable and other liabilities	1,161	1,458
Securities portfolio	5,533	7,729	Current income tax	291	418
Bank premises and equipment, net of allowances for depreciation	1,076	1,412	Other liabilities	1,446	2,150
Accrued interest receivable	3,959	3,131		182,697	217,805
Other assets	1,012	2,018	Pension plan	—	6
	191,024	229,634			
			SHAREHOLDERS' EQUITY		
Acceptances, documentary credits, guarantees and notes with bank endorsement	32,725	53,732	Share capital	5,250	10,500
	223,749	283,366	Capital increase not yet paid-in	—	3,750
			Paid-in share capital	5,250	6,750
			Retained earnings	1,527	3,512
			Net income for the year	1,550	1,561
				8,327	11,823
				191,024	229,634

Mid market rate exchange: 1 US\$ = 166.37 Pesetas (1983)

* These are taken from the annual statement extracted from those expressed in Pesetas and not in US\$. Full audited financial statements are available upon request to the Bank.

Investment in Industrial Plants Lags

MADRID — The roll call of Spanish companies that have sought protection from their creditors sounds like the Spanish Fortune 500 of a few years ago. At 20 percent, Spain's unemployment rate is the highest in Europe. The public-sector deficit is forecast to grow 29 percent this year and will soak up one-fifth of all Spain can produce — nearly double the level of two years ago.

Apart from foreigners, no new investment is going into Spanish industry — and there has been no net new investment in plant or equipment in Spain for a decade. In its annual report on Spain published last month, the Organization for Economic Cooperation and Development predicted that gross fixed investment would remain flat in 1983, and grow to 2.4 percent this year.

Despite the gloomy facts and figures there are a few bright spots, such as an underground economy, where many of the jobs are in fact working; a disappearing trade deficit; and, most of all, an industrial sector stronger than the bankruptcy numbers would indicate.

To be sure, the Rumasa group, which was nationalized to save it from financial collapse, was the largest private conglomerate in Spain and owned half the country's banks. Its debts topped 25 billion pesetas. Another financial group, Banco Urquijo, was saved by a shotgun rescue, and with it more than 200 industrial companies. The failure of Barcelona-based Banco Catalana may cost the government more than 225 billion pesetas.

According to the OECD, public-sector companies are also deeply in the red: 23.7 billion pesetas for Iberia Airlines this year, 33 billion for the Seat automaker, 173 billion for the railroads, 93 billion for the rest of the Institute for Industrial Development. Nor have foreign companies escaped — or so it seems. In November, Westing-

house S.A., a subsidiary of the U.S. company, went into receivership. In January, General Electric suspended payments to creditors; the former subsidiary of General Electric of the United States is now part-owned by Alstom of France.

The unemployment rate is expected to rise even without new bankruptcies, and only about a quarter of Spain's unemployed are receiving benefits. Government restructuring measures will result in losses of 10,000 jobs in steel mills, 20,000 in shipyards and 30,000 in other industries. The state hopes that measures favoring new jobs in advanced industries will create three times as many posts as the 60,000 to be lost. But that would leave 2.7 million — one Spanish worker in five — on the unemployment rolls.

Still, some of Spain's most notable recent business failures have already been reversed. Aluminio Español, which suspended payments in 1982 after debts topped 57 billion pesetas, expects to return to profitability in 1984. The chemical group Explosivos Rio Tinto, which lost 15 billion pesetas last year, also expects to return to the black this year. Bits and pieces of the Rumasa empire — a bank here, a wine company there — are being bought from the state to be refloated. Enxip, a retailing chain of the Banco Catalana group, is being bought by its employees.

The U.S. companies that sought court protection from their creditors were actually seeking protection from their workers. Under Franco-period laws, still in force, it is all but impossible to dismiss workers. In Franco's day, this was accompanied by a law against strikes, which has been suspended. The Socialist government, as part of its plans to modernize the economy, is committed to trying to change the law on dismissals. It also wants to develop new indus-

tries in Spain, such as semi-conductors and bioengineering.

Despite these plans, the government has been caught up in managing the crisis rather than the recovery. Its budget was scrapped over by cabinet ministers. Traditional large companies in heavy industry have won most of the funding even if small companies account for 80 percent of jobs," said Economic Minister Miguel Boyer.

"We cannot abandon heavy industry," Mr. Boyer said in a recent interview with the French newspaper Le Monde. "We are obliged to invest a maximum of funds in large enterprises. That is our paradox." As a result, small Spanish companies still have to finance themselves, unless they are Basque co-operatives. Banks, for reasons that are not always appreciated, lack the means to lend to risky ventures. Spain's most successful young entrepreneur, José (Pepe) Barroso Parales, 23, owner of the Don Algodón knitwear and retail company, said that "in the United States you can find finance with an idea; in Spain you need to have money behind you." Now that Mr. Barroso is successful, he can get bank financing — but he remains sole owner of his company. He may be young but he is typical of Spanish entrepreneurs in that.

The perils of self-finance are not only sacrifices and toil. Even when a company has been successful in innovating, in exporting, in earning, a one-man show means trouble. Case, uncertainty surrounds the effect on Don Algodón of Mr. Barroso's doing his military service.

Luis Suñer's daughter ran his ice-cream and frozen foods company when he was kidnapped by Basque terrorists and held for 90 days. But Mr. Suñer, an indomitable 74-year-old, has no grown grandchildren interested in the business — nephews, he feels, are not competent to run the enterprise — and no other living children.

"When my daughter was in charge everybody said she had a lot of character," Mr. Suñer said. But he still worries about leaving the business to her and has designated a young grandson as eventual heir.

Overcoming anti-feminist pressures was easier for Dolores Sala at Freixenet, maker of what the Catalans call *xampeny* (pronounced "champagne"); her husband and sons were killed by the Franco forces during the Civil War. Unlike many Spanish companies, hers is incorporated, and various members of the family, not just the president, José Ferrer, own shares, are in management or sit on the board.

A nearby wine company, Torres, is, however, the sole property of its owner, Miguel Torres Sr., 74, and will be liable to large inheritance taxes when he dies. Family disagreements are so acute that his daughter Marimar Torres, who built up a U.S. marketing concern for her father after having had to fight for every peseta she spent, finally quit to go into the cooking-school business. His son and heir, Miguel Torres Jr., an oenologist, fed up with the short leash he was kept on, left at the age of 40 to continue his studies at Montpellier University. Miguel Jr. is now back, but when asked about changes he had made following his studies, he brushed off the question.

The typical Spanish family business does not publish balance-sheet accounts. Only when a company needs bank funding or is seeking to lure in outside capital is data made available, and many Spanish businessmen are proud not to borrow and not to give out information. If Spain gets into the EC, more information will be made available, because foreign bidders are the likeliest to work out deals with the native entrepreneurs and because European company law will be applied to Spanish companies. — VIVIAN LEWIS

Household Appliances Sector in Slump

MONDRAGON — The Spanish "white goods" sector — household appliances — is in difficulty. Losses in 1983 topped 8 billion pesetas, compared with 6 billion in 1982. The 15 product companies, which employ 18,000 people (down 10 percent from the previous year), had volume of 120 billion pesetas. A further 3,000 jobs in the sector are to be cut this year.

To help salvage the situation, the Spanish government has assigned companies in the sector to three categories, following a study by the McKinsey management consultancy group. The least company in two of the groups is Philips of the Netherlands, and Zanussi, an Italian company just sold to Electrolux of Sweden. Only the third grouping is headed by a Spanish company: Ulgor, maker of Fagor, Aspes and Noveski stoves, refrigerators, dishwashers and washing machines.

The government designation is only one of the knos Ulgor has won recently. Its export manager, Jesús Larrañaga, has been named to head the electric appliances pro-

ducers' association, and a study of innovative Spanish enterprises by the Asociación para el Progreso de la Dirección praised Moulinex, Braun — and Ulgor.

Ulgor is a very peculiar company, among other things because it is not a company at all but a cooperative, with a total of 2,000 employees. Mr. Larrañaga, as a top manager, is paid a maximum of three times the wage earned by the lowest assembly line worker in Mondragon, the small Basque town where the company is based.

Because of this advantage over its rivals, Ulgor's losses in 1983 were a moderate 205 million pesetas — much of it accounted for by unpaid sales to Algeria, the result of a diplomatic dispute. The loss was made up with a salary cut, redistribution of profits between all the cooperatives in the group — notably the two profitable cooperatives making electric and electronic components for household appliances, and a numerical control company — and from reserves.

Cooperatives are more tightly taxed under Spanish law — at 18

percent rather than the corporate rate of 33 percent. With this edge, cooperatives are supposed to be able to create a social fund to enable them to avoid layoffs even in periods of trouble. The fund absorbs about 10 percent of gross profits. In the case of Ulgor, the reserves — coupled with the Spanish system of cascaded turnover taxes, where the special status governing cooperatives gave Ulgor no privileges — enabled the company to create a series of companies downstream, in machine tools, brochure-printing, and component-making, as well as alongside, in industrial-scale refrigerators and freezers or kitchen cabinets, for example. The strength of the cooperative is greater than that of its parts.

In an industry where exports are rising — appliance exports from Spain have doubled in three years — Ulgor has done even better, exporting the third of output, 70 percent to the EC, and 70 percent of that to France. The French have been holding up stove exports, however, charging that safety standards are not being met.

Mr. Larrañaga expects things to pick up further. Among the advantages he cites is the special statute, which means that Ulgor reinvests to maintain reserve ratios and the cooperative movement each year. Another is the Basque "border Ulgor" mentality, which made Ulgor international "even against the national concept of autarky, which dominated Spain from the Civil War to the 1950s," Mr. Larrañaga said.

Because of its long export history, Ulgor has two distribution companies in West Germany, three in the United States and four in Britain, and is running a joint venture in China.

The social character of Ulgor — it was founded by José María Arizmendi-Arrieta, a Roman Catholic priest, in the 1950s, with intellectual debts to everything from Spanish Trotskyism to the Basque tradition and social Catholicism to neo-Thomism — is also a force in its success (above all in being successful) that a team from Cornell University is studying the model and its potential applications. — VIVIAN LEWIS

Banking Problems Hinder Investment

MONDRAGON — This small Basque town is a forcing bed for new Spanish companies, the closest Spanish equivalent to Silicon Valley. But Mondragon, in the foothills of the Pyrenees, is still typically Basque in the way it hatches new enterprises.

Almost alone in the world, the Basque country is the center of a successful cooperative movement in industry, and new companies are created by hiring off workshops or assembly lines or, to an increasing extent, services from the parent cooperative. With a taste for managerial autonomy and small-scale enterprises, the Basques of Mondragon and its region have created more than three dozen new companies in the last two years.

Here are all the components of the Silicon Valley syndrome: a university, research labs, a factory tradition, consultants in economics, marketing, management and trouble-shooting to hand, and venture capital. The only difference is that they are owned in common.

Here, or in the purlieus of the University of Barcelona, there is money for modern venture capitalism and industrial investment. But for most Spanish banks, the experience of industrial development lending has been unhappy. And, for reasons related to the economic situation and government policy, money is in short supply for risk-taking ventures.

In most of Spain, unlike Mondragon, when people have business ideas they have trouble finding. They also have trouble finding advice on markets and contacts, on structuring their enterprise, on distribution. For someone like Luis Suñer, who founded a food-processing company, the lack of banking advisory services means that, operating from the provincial town of Alcala, he must try to line up on his own the international distributors for a line of pouch-packaged paella Valenciana.

Spain's industrial banks, a combination of holding company and investment bank, are in a deep crisis, which helps explain why businesses as different as the Mondragon cooperatives and the Luis Suñer Corp. have to act on their own. The industrial bank Uquijo,

more than a century old, was recently the subject of a shotgun merger with a large retail bank, Hispano-Americano, accompanied by a large, secret dowry from the Spanish government — the only way collapse could be avoided.

The agency Franco established in 1941 to help develop industry, the Industrial Development Institution, has poured money into smokestack companies. It has the same problems as the private industrial banks — and its losses last year came to 149.8 billion pesetas, according to the Organization for Economic Cooperation and Development.

The Bolsa, the Spanish stock market, has not yet turned into a mechanism for mobilizing investment funds, despite a rise in the index. Both investors and the entrepreneurs are suspicious of the narrow, insiders' market.

Commercial banks, too, are in difficulty. As a result of the Rumasa debacle, last year 52 Spanish banks — half the nonforeign banks that existed — failed or were rescued by merger or nationalization. It is the largest banking crisis since the 1930s anywhere. At risk are more than one-fifth of Spanish banking assets.

The Socialist government, while stopping short of nationalization, has, according to an economist at one of Spain's seven biggest banks, put a burden on the banks "out of a combination of Jacobinism and monetarism." Under the latest Spanish regulations, 57 percent of all deposits taken by Spanish banks must be put at the disposal of the state, and is, therefore, unavailable to lend to clients.

Spain has a 20-percent cash reserve requirement (15 percent at zero interest and 5 percent at the 13.5-percent base rate). U.S. regulations, in contrast, require banks to put 3 percent of their deposits into reserves. Spanish banks are also required now to buy Treasury bills (to help cover the budget deficit) with a further 12 percent of their deposits, up from 10 percent at the start of this year; the yield is below market. Finally, money-supply restrictions (to fight inflation) require that a further quarter of deposits be immobilized in invest-

ment coefficient accounts, which yield banks an average of 11 percent (except for favored categories of lending, for export, capital goods investment and the like).

Spanish banks are nonetheless profitable. Although the first-quarter results were better, the Spanish Private Bankers' Association ex-

(Continued on Next Page)

King's College Madrid
British day and boarding school.
• London G.C.E. 'O' and 'A' level examination centre.
• Senior, junior and infant departments.
• Modern building with sports grounds.
• Preparation for University entry in U.K., U.S.A., etc.
King's College, Paseo de los Andes, Soto de Villavieja, El Goleoso
Madrid. Tel. 845 28 44/5

INTERNATIONAL COLLEGE SPAIN
La Moraleja, Madrid
• International student day and boarding community
• Secondary, junior and infant schools, ages 4-18
• Well-qualified and experienced international staff
• Curriculum in English, with Spanish as second language
• Courses lead to International Baccalaureate Diploma and Certificate, recognised by universities worldwide, for advanced placement, and I.C.S. Graduation Diploma.
• Fine modern buildings, campus and facilities in first class environment at La Moraleja, Madrid.
• Address: Calle Vereda Norte 3, La Moraleja, Madrid.
• Tel.: 6502398/99

natra, s.a.
Manufacturers with worldwide export of
cocoa butter - cocoa powder
chocolate couverture - theobromine
caffeine - organic fertilizers
P.O. Box 21
Avda Gregorio Gea 43
Mislata (Valencia), Spain
Telex: 62524 natra e
Tel.: (6) 3590211
Cable: Labonatra

SPAIN

Automobile Industry: Mixture of Free Trade, Protectionism

FUENTE DE ALMUSAFES — The Ford Fiesta plant here is the most modern in Europe, according to Patrick P. Byrne, president of Ford España. And at 1,240 cars a day, he said, "productivity is on a par with any other Ford plant."

At Figueruelas, near Zaragoza, General Motors' sleek robotized equipment turns out Opel Corsas. The latest in quality control is being applied at the Patrol plant owned by Nissan near Barcelona.

Spanish application of international automaking technology is coupled with import barriers that all but close the border to foreign-made vehicles for sale. The complicated system includes duties, paid by the customer, regulations pegging the value of imported vehicles to a company's exports — any automaker has to export 25 percent as much as it imports — and quotas on the number of foreign vehicles that can be brought in.

While the production system is increasingly geared to push up foreign sales of Spanish-made cars, any goal of efficiency in the Spanish auto industry is hindered by distorting costs and duties on imports of cars into Spain. As a result, a proliferation of marks and models is being produced, uneconomically, in the country.

Spain's melange of free trade and protectionism dates from the 1970 preferential agreement between Spain and the EC, fixing duty on Spanish car exports at 4 to 6 percent. This was accompanied by requirements that new carmakers in Spain export a fixed volume of their output and limit imports.

Exports have been beefed up not only by this agreement but by the unexpectedly slow growth of the domestic car market.

"When we did our forecasts in the early 1970s," Mr. Byrne said, "we were too optimistic. We did not anticipate the second oil price increase, the economic slowdown, the 30 percent unemployment. We assumed car ownership would grow by 3 to 5 percent per year."

Ford has had to close its plant for 28 days in the last two years, to cut production levels. The market leader, FASA-Renault, has shut for 70 days so far this year. Even GM, a target for a Communist union, has closed for 14 days this year and further layoffs may be necessary if output in West Germany continues to be halted by strikes there. Spanish carmakers have excess capacity of 1.5 million vehicles a year, Mr. Byrne said.

Renault could produce 50,000 more cars than the 250,000 it turns out, and Fiat could produce 150,000 more than its quarter million. Fiat produces only slightly more than Ford's 222,000 — but,

where Ford employs 9,000, Fiat even after laying off 6,000, has 26,000 workers on its payroll. Behind the tariff wall, there are uneconomic factories, excess manning levels and idle plants.

Ford may overtake Fiat this year as No. 3 in the industry in Spain. Renault (283,000 cars in 1983) is the leader, and in its first full year of production, with 246,000, GM is second. Two Peugeot companies, with 166,000 cars produced between them, bring up the rear.

In exports, because of the requirement that automakers export a certain amount of their output, the U.S. companies are top ranked

— GM with 198,000 vehicles, Ford with 161,000, out of total exports of 640,000. FASA-Renault is a trailing third.

Under the complicated regulations that govern car imports, most companies may bring foreign models into Spain only in return for selling Spanish-made vehicles outside Spain. As a result, most of the modest, high-priced market for imported cars in Spain is also dominated by GM and Ford, and "the intercompany price for imported cars is not the normal one," Mr. Byrne said. Taxes for locally produced cars come to 40 percent of the sale price; for imports they come to more like 80 percent. As

part of Spain's projected switch next year to a value-added tax system, these rates will probably be lower, but no one knows by how much yet.

Other companies have used production in Spain to win a calling card enabling them to import lines made elsewhere, still subject to duty but not to quotas. Japan's Nissan took control of Motor Iberica, a truck company, and agreed to produce a line of Jeep-style four-wheel drive vehicles called Datsun Patrol, and eventually a line of vans. In exchange it gets to sell Italian-made Datsun Cherry models in Spain. Renault can import heavy-duty trucks because it makes

cars in Spain. Even Mercedes can import cars because it produces Mercedes trucks in Spain.

This arrangement cannot survive Spanish entry into the EC. Even before the transition period is over, there will be changes. In 1983, British carmakers forced Spain to allow a quota of 15,000 cars to enter the country at a lower rate of duty, an off-quota concession open to all EC carmakers and one likely to be renewed for 1984. Then, too, the imminent removal of some of the cascaded taxes applied to Spanish manufacturing (and the rebates paid to those who export) may open up the market.

— VIVIAN LEWIS

Impatience Rising Over Delays in EC Membership

By Gerald Bourke

BRUSSELS — Madrid's impatience with what it sees as foot-dragging by the European Community over the question of Spanish accession to the 10-nation bloc continues to grow. In May, Prime Minister Felipe González hit out at what he called the "clear hardening" of the EC's negotiating position. He also said entry would pose enormous problems for Spanish industry and would mean only very limited advantages for the country's farmers.

Manuel Marín, secretary of state of EC affairs, echoed this disenchantment when he said that the terms of entry, as they stood, were too one-sided to enable the Sept. 30 target for concluding the negotiations to be met. Both sides are so far apart on certain issues that a meeting June 19 in Luxembourg between Spain's external affairs minister, Fernando Morán, and his French counterpart, Claude Cheysson, outgoing chairman of the EC Council of Ministers, ended abruptly after 20 minutes with no headway being made.

Nevertheless, all parties to the

talks agree that the latest deadline for Spanish and Portuguese entry, January 1986, is still on if the remaining problems can be ironed out by the year's end. Portugal's accession talks are almost wrapped up, but the EC wants both countries to join at the same time.

The principal reason for the painfully slow progress of negotiations with Spain is the threat of bankruptcy that continues to hang over the community. EC spending is expected to exceed revenue by about 2.7 billion European Currency Units this year, largely because of the runaway cost of the Common Agricultural Policy.

Successive attempts by the Brussels-based European Commission to persuade member states to part with more cash, even in the form of a loan, have thus far come to nothing, though the deadline may be broken now that the long-running battle over Britain's budget rebate appears to have been resolved. With the commission estimating that enlargement of the community to include the Iberian peninsula will require a 15- to 20-percent increase in spending, the extreme caution being exercised by EC ne-

gotiators is perhaps understandable.

The political desirability of a merger has been enunciated repeatedly by EC governments, particularly Helmut Kohl's center-right West German coalition. Bonn may appear as grudging as other EC governments when it comes to economic concessions but it is acutely aware that Spain's continued membership in NATO is likely only if it joins the EC.

Even the neutral Irish, who took over the rotating presidency of the Council of Ministers on July 1, share this view. "Accession to the community will help, faster than Spanish democracy," said an Irish Foreign Ministry official.

When Mr. González came to power he promised that the question of EC membership would be reassessed if Spain had not joined by the time the 1986 elections came round. With time running out and the accession negotiations clearly not going his way, the Socialist Party must either accept the limited concessions being offered or break off talks in the hope that the Spanish electorate will support the par-

ty's "no entry at any cost" stance.

A major stumbling block to the successful conclusion of the talks is the integration of fresh Spanish produce into CAP. Under the 1970 EC-Spain trade agreement, community tariffs on produce were halved, and Madrid is pressing for a complete elimination of remaining duties immediately upon accession.

But duty-free entry would cause havoc for EC producers, most of whom are in the least-developed areas of the community — Italy, Greece and the south of France. The EC has therefore proposed staggering tariff dismantlement over the first four years of Spanish membership. To keep CAP spending in check and discourage overproduction, Spanish producers would be granted guaranteed prices only after this transition period had elapsed.

Spanish ministers regard this package as unacceptable, even if it has been tempered with the offer of 5 million ECU annually during the four years to help set up producer organizations and intervention agencies.

The EC is reluctant to make further concessions. Indeed, on June 1 it dealt the Spanish a further blow by raising minimum prices on imports of fruit and vegetables from non-EC countries by an average of 15 percent and increased the number of products subject to these so-called reference prices.

Negotiations on a number of other vital issues remain deadlocked. These include access to EC waters for the Spanish fishing fleet, which is almost three-quarters the size of the community's.

With unemployment now in excess of 13 million in the EC, the free movement of Spanish workers throughout the community is also unlikely to come about until several years after accession.

The chances of a breakthrough on the outstanding issues appears brighter following the EC's recent decision to allow Spain a six-year grace period before dismantling tariff barriers on most industrial imports, compared to its previous offer of three years. Madrid is holding out for a seven-year transition, and it appears that the EC governments may be willing to agree.

International Trend in Textiles Sector

VALENCIA — This is the home of Spain's largest multinational firm, Teyssa International, maker of the Lois brand of blue jeans, the fourth largest maker of dungarees in the world, after Levi Strauss, Wrangler and Lee. For a garment company, Teyssa is unusual, aiming not at the mass but at the carriage trade; Lois jeans are sold in boutiques and plush department stores in competition with designer jeans.

Teyssa owns plants in Portugal, Brazil, Ireland and Australia, as well as in Spain, and has licenses in several Latin American countries, South Africa, Greece, Pakistan and Indonesia; soon to be added are South Korea and the Philippines.

Spain's largest home-grown multinational is typical of Spanish companies, and typical too of the Spanish rag trade in keeping things secret. As a private company, Teyssa publishes no annual report and releases no figures on sales or

volume, to say nothing of profit or loss. The garment industry likes to keep secrets, to prevent "knock-offs" of forthcoming lines.

In Spain, as in Italy, during periods of high unemployment, output rises in industries such as textiles, clothing, toys, leather goods and shoes. Even though the Spanish rag trade is officially plagued by high wages, overcapacity, slack demand, lack of investment capital and a high rate of business failures, many Spaniards who are on the unemployment rolls are in fact making garments. Business failures are often accompanied by the sale of machinery to outworkers and subcontractors. A lot of undeclared goods are produced in backroom plants.

The textile industry officially employs 200,000 Spaniards who produced garments worth 350 billion pesetas in 1983. Export data, however, give the lie to the theory that the industry is stagnant. Exports of textile products rose 54

percent in 1983. And, perhaps more significantly, in addition to synthetics and cotton produced in Spain, imports of cotton rose an astonishing 130 percent.

Spanish internationalism in textiles is likely to continue. Teyssa's export manager, Alberto Arilla, said half the company's output was exported for payment in dollars.

"Of course the entry of Spain into the EEC would be advantageous to us," he said.

Joaquín Sáez Merino, 56, the owner of Teyssa, did not start out in a back room, but he and his brother did walk from store to store placing goods in the window of a small family workshop. After a decade of hard slogging by the brothers, the company got its real boost when jeans became the youth uniform in the 1950s. Since then the brothers have split into competing companies. Teyssa has added two other jeans lines and branched into sportswear and leisure clothes, with mixed success.

Things have moved much faster for the youngest of Spain's textile entrepreneurs, José (Pepe) Barroso Perales, 23, whom most Spaniards

think of as Don Algodón (Mr. Cotton), the name of his 65-shop chain. With a slogan ("You are the star"), a market (teen-agers), a clean line of color-coordinated cotton-knit goods in fluorescent hues and a range of accessories to match, Mr. Barroso has come from nowhere in no time.

Six years ago he started with a 32-square-meter (38-square-yard) store. Encouraged by Spain's cascaded tax system, he invested in production plants. Today, he claims, 80 percent of Don Algodón's line is produced in his factories near Madrid.

By this autumn, Mr. Barroso expects to have 80 stores, including the first of what he hopes will be a string of Don Algodón international ventures. With an American partner, Horacio Aguirre (who publishes El Diario Latin American), Mr. Barroso will open a boutique near Miami. Early in 1985 an opening is slated for London, and after that there are French and Italian shops planned. Sales in 1983 were "about 1 billion pesetas," Mr. Barroso said.

— VIVIAN LEWIS

A Bumper Harvest in 1984 May Complicate EC Talks

MADRID — A bumper harvest this year may complicate the already drawn-out negotiations on Spanish entry to the European Community.

The long, wet winter ended a four-year drought, and Agriculture Minister Carlos Romero has forecast that total output will rise 3.3 percent, with a jump of 6 million metric tons in grain production, to a record 19.7 million tons.

A net food importer, Spain foresees an improvement in its agricultural trade deficit. This worsened by \$28 million last year, to \$611 million, as the fall in the peseta's value pushed up import costs, notably of U.S. tobacco and soybeans, and feed grains from the EC.

Global figures can mislead, however. Spanish agriculture is imbalanced; excess output occurs in some sectors and severe shortages in others. Output of Spanish wine and olive oil worried French and Italian producers in the drought years; a 12-percent rise in wine production is now predicted while the olive-oil crop should soar from 277,000 tons to 600,000 tons.

EC negotiators have proposed that trade barriers be eliminated in stages over 10 years after Jan. 1, 1986, the target date for Spain's entry. The Socialist government of Prime Minister Felipe González, backed by the opposition parties, trade unions and employers, has said this is unacceptable, especially since the EC wants Spain to open its market to industrial and manufactured imports within three years. In any case, they added, the threat to French and Italian producers is no greater than that to Spain's weak dairy and poultry sectors.

The government has announced plans to work toward full self-sufficiency in feed grains and other im-

port crops, while cutting output of wine and olive oil.

The government remains the sole legal grain importer but since June 1 has limited its role as intermediary between wheat farmers and millers to liberalize the domestic market. It has introduced comprehensive crop insurance and promised to improve distribution networks, but most other details of the plan have to be negotiated with farmers.

Relations with farmers remain bad, and protests are frequent. Increases of farm-support prices for 1984 average 6.5 percent, while the most optimistic forecasts show the inflation rate falling to between 8 and 9 percent by the year's end. And while the government has pledged to invest 90 billion pesetas to irrigate 150,000 hectares (370,000 acres) by 1986, it has not disclosed how and where this will be done.

High salinity makes irrigation difficult in many areas; cotton acreage, for instance, has fallen to pre-1950 levels.

Few negotiators expect agreement on EC entry by Sept. 30 this year, the revised date set by the EC after protracted talks, and officials on both sides say this is no longer a deadline. Unless progress is made toward compromise on the transition period, the size of the harvest rolling in this autumn may cause attitudes to harden further.

— ROBERT HOLLOWAY

RIZA EXCLUSIVE PROPERTIES

We provide the best consultancy service to buy or sell properties on Ibiza and Formentera, pearls of the Mediterranean. Pases Vero de Rey, Ibiza, Spain Tel.: 30.54.76 - Tel.: 69593 1095

Bank Problems Hinder Investment

(Continued From Previous Page) pects (full-year 1984 return on assets to be similar to or lower than last year's 0.65 percent).

Foreign banks are actively building their Spanish presence, helped by the need of the Spanish authorities to find new owners for banks in distress. Luxembourg-based Bank of Credit and Commerce International has taken over the Banco de Descuento, Arab Banking Corp. the Banco Atlántico and Citibank the Banco de Levante. These followed purchases of troubled banks by Banque Nationale de Paris (Lopez-Quedada) and Barclays Bank (Banco de Valladolid).

Spain now has nine internationally owned retail banking networks, more than any other coun-

try, so foreign bank branches are found in many regional centers and small towns. In addition, there are 27 foreign banks operating as wholesale banks. In total, there are banks from 16 countries. The foreign banks' share of Spanish lending grew an extraordinary 15 percent in 1983.

Despite innovations in developing new methods of financing their loans, foreign banks are unlikely to continue this level of growth. And Spanish banks, buffeted by the government — most recently over the lifting of bank secrecy — will not grow either. Spain is a major lender to Latin America, for historic reasons, so its banks bear risks of nonpayment and rescheduling.

— VIVIAN LEWIS

CONTRIBUTORS

GERALD BOURKE is a Brussels-based journalist who writes about Belgium and EC affairs.

TOM BURNS is a Madrid-based journalist who contributes to The Washington Post and Newsweek magazine.

ROBERT HOLLOWAY is a journalist based in Paris who writes about Europe and the Middle East.

VIVIAN LEWIS is a Paris-based journalist who writes about European finance for numerous British and American publications.

VICTOR DE LA SERNA is editor of AEDE, the journal of the Association of Spanish Newspaper Publishers, and is a frequent contributor to the International Herald Tribune.

BANQUE INDOSUEZ IN SPAIN.

A WHOLE WORLD OF OPPORTUNITIES.

Banque Indosuez is established in Madrid and Barcelona.

These branches are part of the bank's comprehensive international network now covering 65 countries. In Western Europe, Banque Indosuez is present

in all the major countries from Finland to Spain and Italy.

A French international bank with human dimensions, a reliable partner aiding business to expand, providing trade and export financing: Banque Indosuez opens up a whole world of opportunities.



BANQUE INDOSUEZ

A whole world of opportunities.

Paris: head office, 96 boulevard Haussmann - 75008 Paris. Madrid: C. Almagro 34 - Tel. 419 60 11 - Telex (general) 23161 Ebsum E (Forex) 46969 Intz E. Barcelona: C. Balmes 150 - Barcelona 8 - Tel. 21 70 00 - Telex 59392 Suez E. Regional Manager Spain: Francisco - Luis Colomer.

AMERICAN SCHOOL OF MALLORCA

AN INTERNATIONAL ACADEMIC INSTITUTION

Accredited by the Middle States Assn. • Certified by the D.O.D. • System for U.S. Govt. personnel • Authorized by the Spanish Ministry of Education. • Secondary 7-12 • day & night • The only school offering a pre-engineering sequence along with top college prep. • Notable record of college admissions • Specific learning disability and est programs that yield excellent results.

CALLE ORATORIO, 9 - PORTALS NOUS - MALLORCA - SPAIN
TEL.: 675850/51 - TELEX 69651 AMSC E



sodieux

A SUITABLE PARTNER

We are a government owned merchant company with the mission to foster industrial development in Extremadura.

SODIEX's objectives are pursued in the following ways:

- By providing up to 45% of a company's capital, recuperating the investment before 10 years and when the entrepreneur decides.
- By granting long-term loans to affiliated companies.
- Guarantee preferential credits from Government Banks to affiliate companies (12% and 8 years).
- By giving technical, managerial, financial and economic advice, etc.

We invest in Extremadura, a region where the Spanish Government subsidizes up to 30% of the investment as sunk funds and finances through Governmental credits up to 70% of the investment.

SOCIEDAD PARA EL DESARROLLO INDUSTRIAL DE EXTREMADURA

Doctro Marañón 2, Cáceres (SPAIN).

Tel.: (3427) 22.77.00. Telex: 28950.

LINE UP YOUR BUSINESS IN SPAIN THROUGH BANCO DE SABADELL

BANCO DE SABADELL, with more than 100 years' banking experience, places specialized services at your disposal in both the import and export sector. It is connected to a world-wide network of banking correspondents through sophisticated systems, such as S.W.I.F.T., in this way collaborating effectively in the management of business in Spain.

Head Office SABADELL-Spain



BANCO DE SABADELL

Herald Tribune

BUSINESS/FINANCE

TRIBUNE, MONDAY, JULY 2, 1984

Page 13

EUROBONDS

U.S. May Usurp Europe As Biggest Tax Haven

By CARL GEWIRTZ

International Herald Tribune

PARIS — The Eurobond market held its collective breath last week, waiting to see if the United States is really going to usurp the Eurobond market to become the world's biggest tax haven.

The groundwork was laid recently when both houses of Congress approved a tax bill repealing the 30-percent withholding tax on interest payments to foreign investors. The bill will become law when President Ronald Reagan signs the act, which is expected shortly.

The only remaining uncertainty is what administrative rules the Treasury will impose on the sale of bearer bonds.

Securities sold to U.S. citizens will be in registered form — meaning the tax authorities will have a way of comparing tax declarations with interest revenues.

Bonds sold outside the United States may be issued in bearer form — meaning the holder is not identified by name and need only present the coupon stubs to the paying agent to receive payment. This is how the Eurobond market operates and it leaves matters entirely to the discretion of the investor whether to report this income or not in his tax statement.

The critical question — and one insiders suspect may take the Treasury weeks, if not months, to agonize over — is what criteria the Treasury uses before allowing domestic bond issuers to sell bearer bonds rather than registered securities.

Under present rules, domestic issuers may offer bearer bonds once certification has been received that the beneficial owner is not a U.S. citizen. Until certification has been received, a withholding tax of 20 percent is imposed.

The question, then, is whether the certification requirement will be stringent or lax. Stringent means raising fears among foreign investors, who want to escape tax payments at home, that the Treasury will be able to pass their identification to the relevant foreign tax authorities. Lax means a system loose enough to enable foreigners to buy bonds in New York without having to worry about being discovered at home.

If the certification is stringent, many European bankers believe their clients will not be attracted to the U.S. market. If it is lax, the incentive to buy dollar bonds in New York rather than on the Eurobond market, where yields traditionally have been lower than in New York, could be irresistible and the Eurodollar bond market could effectively cease to exist.

To be sure, there are other technical reasons to keep the Eurodollar bond market active — the inconvenient time difference between Europe and New York, the much larger size of trades needed to be considered a round lot (trading smaller odd-lots is more expensive) in New York, the greater speed with which issues can be launched here than in New York and the requirement in New York to register any public issue with the Securities and Exchange Commission.

The Wall Street proponents of the tax repeal were aiming to repatriate the Eurodollar bond market as a means of reasserting their pre-eminence as underwriters of dollar-denominated issues and they can be expected to press the Treasury to be lax about certification for the sale of bearer securities.

But the question the Treasury now has to face up to is whether it is prepared to turn the United States — which has already attracted tens of billions of dollars of foreign funds thanks to its very high real interest rates — into a haven for tax evaders.

If the answer to this question were, "not enough to immobilize the Eurobond market," there is also the continuing uncertainty about the direction of U.S. interest rates and worries about the sizable losses that many underwriters are already sitting on from having unwisely participated in offerings marketed over the past few months.

On top of all this, there is the trading scandal involving the New York office of Union Bank of Switzerland, the London (Continued on Page 15, Col. 1)

Officials Agree on Tariff Cuts

Tokyo-Round Plan To Be Accelerated

The Associated Press

ERBACH, West Germany — Trade officials from the United States, Japan, Canada and the European Community have agreed to bring forward broad new tariff cuts and make them operational by the end of the year.

William E. Brock, the U.S. Trade Representative, said Saturday at the end of the two days of informal talks that he hoped Congress would consider the necessary legislation by the end of July.

Wilhelm Haferkamp, external affairs commissioner for the EC, said the officials pledged to initiate steps that had been agreed to at trade talks in Tokyo in the 1970s. In those talks, known as the Tokyo Round, it was agreed to implement across-the-board tariff reductions of about 40 percent in eight annual steps.

"We must still implement the 1985, 1986 and 1987 reductions. We want by Jan. 1, 1985, not only to implement the reductions planned for 1985, but also those for 1986. This is the approach we have discussed," Mr. Haferkamp said.

Also at the meeting were Gerald Regan, Canada's minister for international trade, and Hikosaburo Okonogi, Japan's minister of international trade and industry.

Mr. Haferkamp described the talks as an informal, but said the officials would return to their capitals committed to accelerating the tariff cuts.

He said the EC had decided in principle on the program and implementation might be possible this fall. The European Free Trade Association, which includes European countries outside the EC, also has agreed in principle to advance tariff reductions.

Mr. Haferkamp said the four officials "detected more positive than negative signs" in the present international trade situation. The value of trade in manufactured goods is expected to grow by more than 6 percent this year, compared with an increase of 4 percent in 1983.

"This contrasts favorably with the decline in world trade in 1981-82. This growth is largely due to the growing value of imports and exports of the industrialized countries," he said.

At the same time, the officials were concerned about the growth of what they called non-tariff barriers, he said.

Mr. Brock said the officials also "spent time discussing the urgency of the GATT (General Agreement on Tariffs and Trade) working program on safeguards."

"There is a general commitment to make an effort before November to see if we cannot reach a higher level of discipline in the so-called safeguard area," Mr. Brock said.

Wal-Mart's Growth Outpaces Rivals

Country Boy Gets Rich By Selling Discounted Goods in Rural Regions

By Isadore Barmash

New York Times Service

BENTONVILLE, Arkansas — Sam M. Walton, founder of Wal-Mart Stores Inc. and reputedly one of America's richest men, played the crowd last month at the company's annual meeting.

In the gymnasium of the local high school here, he greeted old friends, hugged women and roused 1,800 shareholders, employees and guests in song — from "The Star-Spangled Banner" to the company cheer.

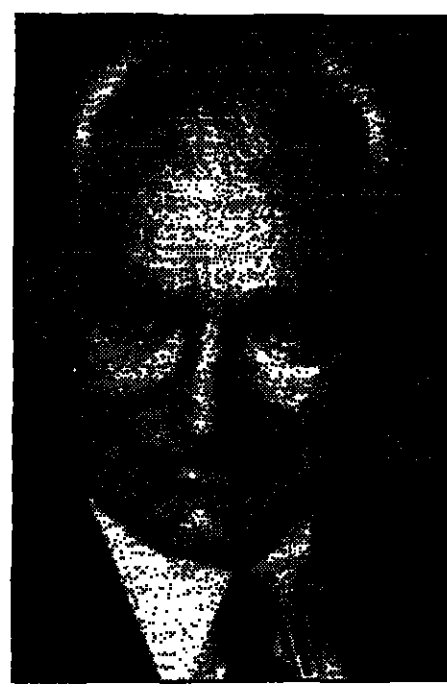
And it did not stop there. That afternoon Mr. Walton, 66, and his wife were hosts at a barbecue for 700 at their home. In the evening, the country singer, Tammy Wynette, joined Mr. Walton to join her at the microphone. The next day, in this small town in the northwestern corner of Arkansas, there were sports competitions, a boating trip and a forum for local and national politicians.

But if the ambience of Wal-Mart's annual gathering was down-home and light-hearted, the balance sheet presented by company executives was pure sophistication. It told a tale of striking success in retailing, one that few of Walton's northern brethren in the business could duplicate.

The 22-year-old discount chain, which operates largely in rural communities of 5,000 to 15,000 people in an ever-widening tier of 19 states in the South and Southwest, is the fastest-growing U.S. retailer. Its growth rates in sales, profits, return on equity and other corporate barometers have been the highest in the industry since the late 1970s.

"Wal-Mart is one of the very few general merchandising companies that are steadily managed, highly profitable and well positioned for the future," Cathleen W. Mackey, analyst for First Manhattan Co. in New York, said.

Much of the company's success has been laid to Sam Walton, its chairman and chief executive. Born in Kingfisher, Oklahoma, Mr. Walton is a



Sam M. Walton

country boy who struck it very rich by peddling discounted products to rural America.

Last autumn, Forbes magazine identified him as one of the wealthiest men in America. It is an achievement, however, that Mr. Walton is loath to discuss. He would rather talk retailing and give credit to his employees.

There are, he says, not many secrets in the industry. "Anyone willing to work hard, study the business and apply the best principles can do well," he says. "I worked at it. I walked into competitors' stores. And I wandered into more stores than anyone else. I was fortunate in getting

(Continued on Page 17, Col. 5)

Merger Agreed By Continental Group's Board

By Lee A. Daniels

New York Times Service

NEW YORK — Continental Group Inc., which last week put itself up for sale to fend off a takeover offer by Sir James Goldsmith, the British industrialist, has agreed to merge with a corporation owned jointly by David H. Murdock, a West Coast financier, and Peter Kiewit Sons Inc., a private mining and construction company.

Continental said holders of its common stock would get \$58.50 a share. It said the total value of the transaction was about \$2.75 billion.

The agreement to sell Continental, which has operations in packaging, forestry, insurance and energy, was reached during a meeting of the board with Mr. Murdock and with two officers of Peter Kiewit, namely Walter Scott Jr., the president, and Donald L. Sturm, senior vice president.

In a statement Friday from Continental's headquarters in Stamford, Connecticut, S. Bruce Smart Jr., the company's chairman, said that the proposal from Kiewit Murdock Group was "the highest price among several alternatives, is not subject to any financing contingencies, and is entirely satisfactory to our directors in other respects, including Kiewit Murdock Group's assurance to continue substantially unchanged Continental's present employee compensation benefits and policies."

Mr. Smart also said that the Kiewit Murdock team had "emphasized its intent to continue Continental as an independent viable operating company," although some of its assets may be sold.

The statement said that 80 percent of the purchasing group is owned by Kiewit, which is based in Omaha, and 20 percent by Murdock Investments, which is based in Los Angeles.

For the moment, the agreement appears to end the attempt by Sir James to acquire the company. It was the informal \$50-a-share offer for the company Sir James made in early June that precipitated Continental's decision to shop for buyers. Sir James subsequently sweet-

ened his offer to \$54 a share, or \$2.3 billion.

Calls to Sir James and his advisers were not returned Friday. Nor were calls to officials of Continental or Kiewit Murdock Group. It was not immediately known if Sir James or other bidders attempted to match the bid that won over the Continental board.

Cornelius W. Thornton, an analyst with First Boston Corp., said that the Kiewit Murdock offer was "a good bid. It indicates that management has put forth a valiant effort to secure the maximum benefit for the shareholders."

Mr. Thornton cautioned that because the agreement remains to be approved by the shareholders, a higher bid may yet surface.

To give Kiewit Murdock Group a profit in the event that it is outbid, the agreement grants the group an option to acquire about 7.8 million shares of Continental common stock at \$58.50 a share. In a move to prevent another bidder from entering the situation, the group has also been granted an option to purchase Continental's most attractive asset, Florida Gas Transmission Co., and other pipeline operations, for \$500 million.

Continental's stock closed at \$51.75 Friday, up 75 cents, on the New York Stock Exchange. The announcement of the merger agreement came after the stock market closed.

The agreement stipulates that Kiewit Murdock Group will pay \$29.95 for each Continental series A preference share and \$43.875 for each series B preference share, unless shareholders convert them before the transaction.

Series C preference shares and the \$4.25 preferred stock would remain outstanding following the merger, according to the statement.

The Continental board also elected as directors Mr. Scott, Mr. Sturm and Mr. Murdock, and Raymond F. Henze III, president of Flex-Van Inc.

Mr. Henze, 31, has been an associate of Mr. Murdock since 1979 and is a vice president of Pacific Holding Corp., which Mr. Murdock heads.

Warner Nears Sale of Atari Unit

By Kathryn Harris

Los Angeles Times Service

LOS ANGELES — Warner Communications Inc., unable to staunch losses at its Atari Inc. subsidiary, is on the verge of selling most of the unit's assets to Jack Tramiel, who built Commodore International into a \$1 billion home-computer company before resigning six months ago.

New York-based Warner is expected to sell Atari's home-video game and home-computer divisions to Mr. Tramiel, retaining only its coin-operated game division.

Terms of the proposed transaction were not immediately known, but several sources Friday estimated that the entire Atari operation, which is based in Sunnyvale, California, and considered a bonanza for Warner during the video-game boom, is now worth no more than \$125 million to \$150 million. One Warner source familiar with Atari operations placed its value as low as \$50 million, and a former Atari designer and executive said that it might be worth "\$20 million to \$30 million total."

An executive who recently left Atari said that the company could lose as much as \$100 million in the

second quarter, which ends Saturday.

Mr. Tramiel could not be reached for comment Friday, but a Warner Communications secretary said that the businessman, who is 55, and at least two of his three sons, were engaged in meetings at Warner's New York headquarters Friday evening.

Alberto Cribiore, a Warner senior vice president and a strategist for Warner's mergers and divestitures, did not return a reporter's phone call.

Atari, acquired by Warner in

1976 for \$28 million, enjoyed a meteoric rise in the late 1970s and posted an operating profit of \$358 million in 1982. In the past 18 months, however, Atari's fortunes have plummeted as too many competitors crowded into the video-game industry, prompting a glut of product and price wars. In its home-computer division, Atari has never been able to reduce costs enough to turn a profit, according to a former executive.

Atari posted an operating loss of \$538.6 million in 1983, and reported losses of \$34.9 million for the three months ended March 31.

U.S. MID-YEAR INVESTMENT OUTLOOK

INCLUDING OUR TOP 10 U.S. STOCK RECOMMENDATIONS



What are the investment prospects for the rest of the year in the United States? Should you be bullish or bearish on the U.S. Market? What should your current investment strategy be?

In our "U.S. Mid-Year Investment Outlook," Bache analysts take a good hard look at the factors which have traditionally influenced

U.S. equity and bond markets. They then discuss strategies for you to consider for the next six months in both these areas. In addition, you'll receive their top 10 U.S. equity recommendations plus much more.

If you're interested in learning what lies ahead in the U.S. investment market then send for our free report. To receive your copy just contact any of our offices worldwide or mail in the coupon below.

Bache Securities Service Center, 305 Burlington Gardens, London W1X 1LE
Telephone: 01-439-4191/Telex: 263779

Please send me a copy of U.S. Mid-Year Investment Outlook.

IBT-MYIO

Name

Address

Telephone

Bache Securities

International Offices: Amsterdam, Athens, Basel, Brussels, Buenos Aires, Cologne, Chiasso, Düsseldorf, Frankfurt, Geneva, Hamburg, Hong Kong, London, Lugano, Luxembourg, Madrid, Monte Carlo, Montevideo, Munich, New York, Paris, Rotterdam, St. Croix, St. Thomas, San Juan, Singapore, Stuttgart, Tokyo and Zurich.

Fed Officials Are Split on Money-Supply Growth

By John M. Berry

Washington Post Service

WASHINGTON — As they approach a policy-making meeting this month, several Federal Reserve officials have indicated that there are limits to how much money they are willing to pump into the economy.

"We are supplying enough money and credit to finance a sustainable rate of economic expansion, and we intend to continue doing so," a Fed official, Lyle E. Gramley, declared recently.

"But we do not intend to waste the substantial gains in the battle against inflation that have been won at such enormous cost during the past few years."

A few days later, the Fed chairman, Paul A. Volcker, told a Senate subcommittee, "Our recovery has been proceeding rapidly, with little acceleration of inflation. But the combined credit demands of the federal government and the private sector have generated disturbing pressures on interest rates, on developing countries and on exchange rates."

"In concept, we can visualize an

economic expansion characterized by relatively high interest rates and by strong private consumption and a large budget deficit," Mr. Volcker continued. "That is what we are having. But it has costs — costs reflected in huge trade deficits and net borrowing from abroad, potential problems for housing and other

U.S. CREDIT MARKETS

interest-sensitive sectors, and risks of exchange rate and financial instability.

Last week, when major banks raised their prime rate from 12 1/2 percent to 13 percent, the White House rejected Mr. Volcker's logic while trying once again to protect the president from any fallout from rising interest rates.

Against this background, the Fed's policy-making group, the Federal Open Market Committee, will meet on July 16 and 17 to reaffirm or change its targets for money-supply growth for the remainder of this year and to set tentative targets for 1985.

Because of the politically charged atmosphere of a presidential election year and because of the rapid pace of the economic expansion so far, the FOMC's policy decisions will be unusually sensitive.

Presumably, the 1985 money-growth targets will be lower than this year's because the committee will want to signal its intention to keep inflation under control as the economy approaches what many economists regard as the zone of full employment. This year's target ranges are unlikely to be changed.

Through May, M-1, the narrowest measure of the U.S. money supply, which includes currency and travelers checks in circulation and checking deposits at financial institutions, had risen at a 6.8-percent annual rate from its average in the fourth quarter of 1983. The Fed has a target of 4-percent to 5-percent growth in M-1 between that quarter and the fourth quarter of this year.

Only the broadest measure of money, M-3, which includes everything from currency to \$100,000 time deposits, is outside its range, and it is the measure to which the committee gives the least weight.

Several FOMC members are convinced that the expansion has slowed, but they are uncertain just how much. And they remain worried that the demand for credit — public and private — is still growing too fast.

At a meeting in late March, the FOMC agreed to tighten credit conditions because of the surges in economic growth and the demand for credit. Since then, short- and long-term interest rates have gone up about a full percentage point, but most indicators suggest that the committee has not tightened further.

Mr. Gramley and another Fed official, Henry Wallich, dissented in March, wanting the FOMC to pursue a still more restrictive policy.

The Fed vice chairman, Preston Martin, also dissented, seeking a less restrictive policy than the one the nine-member majority settled upon.

The coming meeting likely will be a replay of the March session in terms of which way the various members will want to lean. Whether

U.S. Consumer Rates

For Week Ended June 29, 1984

Passbook Savings	5.50 %
Tax Exempt Bonds	
Bond Buyer 20-Bond Index	10.76 %
Money Market Funds	
Dreyfus's 7-Day Average	10.04 %
Bank Money Market Accounts	
Bank Rate Monthly Index	9.46 %
Home Mortgage	
FHLB average	14.24 %

er the discussions will produce another tightening is far from clear, particularly given the uncertainties of the international debt situation and the adverse impact of higher rates on the ability of Third World nations to repay their debts. On the other hand, no one on the committee is talking about easing.

Some members of the FOMC are confident that the policy steps already taken and the natural aging of the expansion have already combined to slow the economy's momentum.

Mr. Martin, for instance, maintains that financial market analysts and others fearing overheating in the economy are wrongly focusing on the second quarter's estimated 5.7-percent rate of increase in real, or inflation-adjusted, output.

He claims the more important number is the 8.7-percent rate for the three months just ended in current-dollar gross national product, the measure of the nation's total output of goods and services, including income from investment abroad.

Prices Drift Lower
Prices in the credit markets drifted lower Friday in very tight activity. The New York Times reported from New York.

Market participants shrugged off the Senate's approval of a \$53-billion increase in the federal debt ceiling, to \$1.573 trillion. News that Argentina said it would pay at least some of its overdue interest payments to foreign banks had little effect on prices.

The price of the Treasury's bellwether 30-year bond, the 13 1/4 of 1994, dropped by 13-32 Friday, to close at 97 2/32 to yield 13.76 percent.

CURRENCY RATES

Loft interbank rates on June 29, excluding fees.
Official francs for Amsterdam, Brussels, Milan, Paris, New York rates at 4:00 P.M. EDT.

	S	C	D.M.	F.F.	U.S.	Yen	S.F.	Yen
Amsterdam	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Brussels	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
London	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Paris	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
New York	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Frankfurt	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Geneva	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Zurich	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
ECU	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
SDR	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40

Dollar Values

	S	C	D.M.	F.F.	U.S.	Yen	S.F.	Yen
Australia	1.558	1.0865	1.0865	1.0865	0.7182	0.4981	1.0865	1.0865
Belgium	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Canada	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Denmark	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
France	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Germany	3.1275	4.34	128.65	36.71	0.183	5.235	154.71	132.40
Greece	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Italy	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Japan	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Netherlands	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Portugal	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Spain	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Sweden	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
Switzerland	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
U.K.	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821
U.S.	1.3182	0.821	0.821	0.821	0.5315	0.3541	0.821	0.821

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Cr dit Suisse-First Boston
Prices may vary according to market conditions and other factors.

Yield	Yield	den 100	Deniers	30 May 1941	0.56
-------	-------	---------	---------	-------------	------

[illegible]

Closing Prices June 29, 1984

[illegible]

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Max Ferrero in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
MARKETING CONNECTIONS MANAGER		One of leading U.S. electronic (electronics products & systems).	South of France	Several yrs. of exp. in int'l mktg./advertising industries; truly prof. & highly motivated.	Arm & Associates, 12 Avenue de la Paix, CH-1201 Geneva, Tel: 822/115528, Tel.: 238517.	INT. 21-5-84
MANUFACTURING OVERSEAS MANAGEMENT		Readyair Int'l Corp.	Overseas	Established desire for an overseas career; min. 3 yrs. production mgmt. exp. & tech. deg.	K.B. Esterling, The Langway Firm & Builders Co., 1144E Market St., Akron, Ohio 44310-4881.	INT. 21-5-84
INTERNATIONAL MERCHANDISING MANAGER		Multinational firm.	Accumulated Europe	Exp. of product sourcing in Europe & Far East; track record of creative merchandising; ability to negotiate.	Box. D 2889, International Herald Tribune - 92521 Neuilly Seines, France.	INT. 21-5-84
COMPTROLLER	c. \$67,000 tax free	United Nations Agency.	Vienna	Min. deg. (pref. in finance field); min. 15 yrs. relevant exp. incl. 10 yrs. at sup. level; int'l exp.; Eng. - Fr. & Arabic.	Chief, Personnel Services Division, ENR/SLA(01), MINUG, UN, P.O. Box 700, 1400 Vienna.	INT. 21-5-84
PARTS MANAGER Africa-Europe		U.S. truck manufacturer.	Major European Capital city	Sound basic mgmt. training; significant sales exp. in Africa & Europe; Fr. - Eng.	Int. A/S 8866 RT, PM, 3 Rue des Derviers, 92290 Neuilly, France; Tel: (1) 747.11.04.	INT. 21-5-84
DIRECTEUR VENTES INTERNATIONALES		Fluore (group: Schlumberger)	Colombes, Paris suburbs.	First, Grande Ecole d'Ingenieurs + (MBA, CESA, INSEAD); 5-10 ans exp. vente produits int'l + l'exportation.	X. Barriere, Fluore, Schlumberger, 420 Rue d'Estienne-d'Orville, 92700 Colombes, France.	INT. 23-5-84
MANAGEMENT TEACHER		Major European Management School.		Executive with strong interest in education & ability commit part time including or following exp. Fr. Eng. + Ger.	Mr. Drven Lohman, I.A.P., 180 Bd. Malesherbes, 75017 Paris.	INT. 23-5-84

صبرنا من الاجل

NEW EUROBOOND ISSUES

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price and week	Terms
FLOATING RATE NOTES							
Belgium	\$300	par	1/4	100	—	99.65	Over 4-month Libor. Minimum coupon 50%. Switchable at par every year in August starting in 1985 into a 4-year note paying interest at the mean of the bid and offered rates for 4-month Eurodollars, itself switchable at par into the perpetual note in 1987, 1988 and 1989. Payable Aug. 10. Commission 0.45%.
Italian Int'l Bank	\$60	1991	1/4	100	—	98.85	Over 4-month Libor. Minimum coupon 50%. Callable at par in 1985.
IU Int'l Capital	\$75	1992	1/4	100	—	—	Over 3-month Libor. Minimum coupon 50%. Redeemable at par in 1989.
FIXED-COUPON							
Statol	\$100	1989	13%	100	13%	98.25	Noncallable.
Ireland	DM 100	1992	8 1/4	99 1/4	8 3/4	97.38	Noncallable private placement.
Sperry Curacao	DM 150	1994	8	100	8	98.88	Callable at 101 1/4 in 1989.
Coisse d'Aide à l'Équipement des Collectivités Locales	ECU 45	1991	11 1/4	100	11 1/4	98.50	First callable at 100% in 1989.
Oesterreichische Kontrollbank	£ 30	1991	12 1/4	100	12 1/4	98.13	Noncallable.
Dai-ichi Kangyo Bank, Neth.	DF 50	1989	8 1/4	100	8 1/4	99.00	Noncallable private placement.
EQUITY-LINKED							
Ferrofluidics Overseas Finance	\$10	1990	—	99	—	—	No coupon. Each \$1,000-note is either exchangeable, starting July 1985, for 200 shares of Spin Technology Inc., in which case holders will receive a \$200 cash refund, or convertible at an anticipated 20% premium into shares of Ferrofluidics Corp. Terms to be set Aug. 15.

U.S. May Become a Tax Haven for Investors

(Continued from Page 13)

office of Bear, Sterns and possibly others. Fraudulent trades made to enrich the dealers are estimated to total into the millions and this discovery has prompted auditors to descend on many trading departments, casting a further pall over market activity.

In difficult markets, such as this, bankers have traditionally relied on innovations to excite investors — drop-lock bonds, retractable maturities, partial payments and zero coupons. The newest wrinkle to hit the market is the no-coupon convertible bond.

Basically, this is a venture-capital stock offering giving investors an option to buy shares in a company that is expected to go public in two years or more. Investors who do not want to wait for that to happen, or if it never happens, are also offered the option to convert into shares of an existing company. Thus, this is the first convertible to offer investors a double option to buy shares in two separate companies.

The company behind the issue is Ferrofluidics, whose shares — traded over-the-counter — have ranged in price so far this year from a low of 6 1/4 to a high of 10 1/4. The shares are currently valued at just over \$8 each. Ferrofluidics, which went public in 1981, describes itself as a pioneer and world leader in ferro-

fluid (magnetic fluid) technology. Its products are used by the semiconductor industry, in computer hardware and in high fidelity loud-speaker systems.

It has created, and spun off to a new company called Spin Technology Inc., a new process to increase data-storage capacity and reliability of hard-disk drive systems in computer peripheral equipment. In essence, it is making a ferrofluid film-bearing spindle to replace the traditional ball-bearing-supported spindles currently used. Its spindle has been produced in prototype and is in the process of evaluation by a number of equipment manufacturers, company officials report.

The issuer of the \$10-million convertible bond is Ferrofluidics Overseas Finance Corp. The bonds are being offered at a discount of 99. Holders can convert into shares of Spin Technology, starting next July, with each \$1,000 bond purchasing 200 shares. In addition, there will be a cash refund of \$200 — meaning the stock purchase will have cost \$790 (\$990 subscription price less \$200 cash refund).

The bondholders, if they all convert to Spin, would own 25 percent of the company, or two million shares out of a total of 8 million shares. The remaining six million shares would be held by Ferrofluidics in exchange for the technology it passed to the company.

If Spin Technology never goes public, stockholders could exchange their shares into stock of Ferrofluidics at a ratio of eight Spin shares for five Ferro shares. This conversion could be begun in July 1987 (converting a maximum of 65 percent of Spin holdings into Ferro), or July 1989 (when 70 percent can be converted), or in 1990 (when 80 percent can be converted).

Alternatively, bondholders can convert directly into Ferrofluidics starting in December, at a premium that is expected to be set at about 20 percent over the average price prevailing during the seven trading days preceding the pricing, which is expected to be Aug. 15. This route, however, offers no cash rebate and no option to go back into Spin Technology.

The bond pays no interest. The entire lure of this offering is that Spin does go public and that the share price then established represents a quantum leap in value over what bondholders paid for their two million shares.

The proceeds of the bond issue will be divided with about half going to finance the launching of Spin and the remainder used to purchase zero-coupon bonds of 2-A or 3-A-rated U.S. companies. The zeros will be placed in a trust and will be used to redeem bondholders who do not convert into shares when the issue matures in October 1990.

Banque Outzwiller, Kurz, Bungeger of Geneva is managing the issue.

There was little other new business announced last week. Belgium returned to the floating-rate-note market with an offer of \$300 million of perpetual bonds. Using the formula successfully adopted by Sweden last month, the notes can be converted into four-year notes on an anniversary. But exercising this option results in a lower interest payment.

The perpetual notes bear interest at 1/4-point over the London interbank offered rate. The four-year notes bear interest at no margin over the mean of the bid-offered interbank rate, which means at 1/16-point below Libor.

The one unattractive feature, in standing with Belgium's concern that the tax-free paper winds up in the portfolio of Belgian citizens, is that the notes are only in registered form and sold in minimum units of \$250,000.

Italian International Bank, based in London, is offering \$50 million of seven-year FRNs paying 1/4-point over Libor.

IU International is selling \$75 million of eight-year notes which holders can redeem after five years. Interest is set at 1/2-point over three-month Libor. The notes are not guaranteed by the parent U.S. company but are secured by \$100 million of preferred stock. This makes the FRN a subordinated instrument as preferred stockholders rank behind senior long-term debtors in the event that the company is ever liquidated.

Statol, which offered \$100 million of five-year notes at par bearing a coupon of 13 1/4 percent, was a big disappointment for the market. Analysts were invited in agreeing the credit was attractive and the terms were appropriate, but investors could not be lured into making a commitment and the notes ended the week quoted on a when-issued basis at a discount of 98 1/4.

Deutsche-mark bonds were not hurt by last week's half-point rise in the discount rate, bankers said. They noted gratefully that the Lombard rate (discounting against collateral) was held unchanged. Nevertheless, with the mark sagging and the rate outlook unsure, there was very little demand for new issues.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds. The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4. But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered at 99 1/4 bearing a coupon of 8 1/4 percent, ended the week down 2 1/4 points.

Sperry's 150-million DM bond did well thanks to the rarity value of U.S. issuers offering DM bonds.

The 10-year issue, priced at par and bearing a coupon of 8 percent, was quoted at a discount of 1/4.

But Ireland's 100-million DM of eight-year notes, offered

	Sales in 100s				Net Chg
	High	Low	Lost		
Indgr	283	4%	4%	4%	
IndRgs	1,884	3	219	-	
InstDv	62	10	94	-	
InstDv	69	34	379	-	
InstDv	147	6	71	8	
InstDv	211	3%	44	+	
InstDv	20	1.8	219	17%	

[illegible][illegible]

446

[illegible]

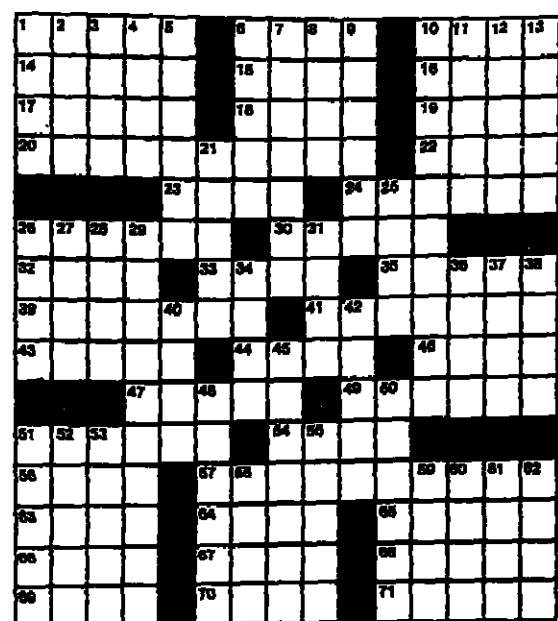
CanonG	2047	28	17½	18¼	-2
CapCrb	1430	3¼	2¾	2¾	-1½
CoreEn	86	7	4½	6¾	-½

Carolyn	612	57 1/2	5 1/2	5 1/2	—	5 1/2
Carter	577	7 1/2	7 1/2	7 1/2	+	7 1/2

[illegible]

50	3.9	53	18.2	17.2	18.2	+ 1.4	KLA Korn
----	-----	----	------	------	------	-------	-------------

صبرنا من الامل



ACROSS

1 Jogger's cousin
6 Walked
10 Lively party in London
14 Mountain ridge
15 Precept
16 Biblical proposition
17 Epitome
18 "A man with..."
19 Duck or color
20 Clavicle
22 Weight deduction
23 Series of rows
24 Dashing
26 Added piquancy
30 Rock star John
32 Victim of a matador
33 Within: Comb. form
35 Charter
39 All together
41 Rockies
43 Full of substance
44 Molt
46 Employed
47 New Mexico colonizer
49 Obtrude upon others
51 Annoyed

DOWN

1 Secular
2 Word on a dollar bill
3 Rind
4 Lat. catchall
5 Tell
6 Social group
7 Circulated
8 Lysian poet
9 Excrete
10 Fastened, in a way
11 Close by, poetically
12 Set into motion
13 Like Swiss cheese
21 Riddles persistently

54 Sand hill
56 Consort of Zeus
57 Two-piece braided
63 Winged
64 Author Ferber
65 Present time
66 Far from obese
67 U.S. journalist
68 Jacob
69 Papal vestment
70 Fish dish
71 Suffix with differ or defer
72 Minneapolis suburb
73 Concerning pleasure
74 Cleave
75 Wise counselor
76 Hunt the fox
77 Golden-ram rider
78 Thin as—
79 Arbitrary proclamation
80 Scandinavian god
81 Illustrator of Dante works
82 Dutch treat
83 Manchurian river
84 Features of Laura Mars

© New York Times, edited by Eugene Malachuk

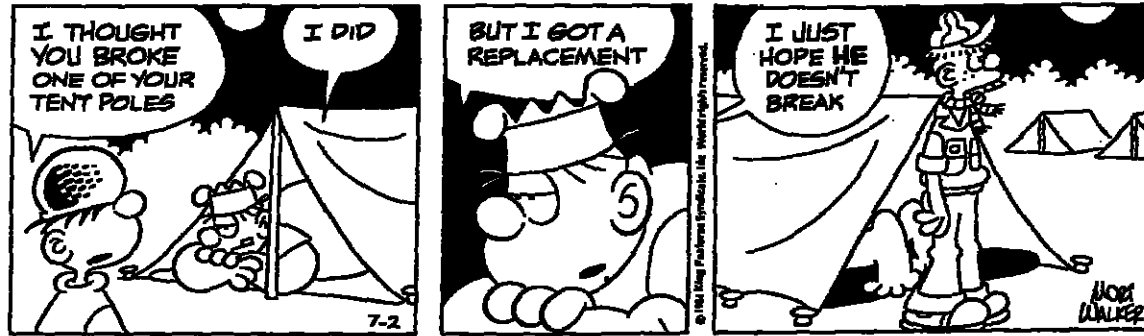
PEANUTS



BLONDIE



BEETLE BAILEY



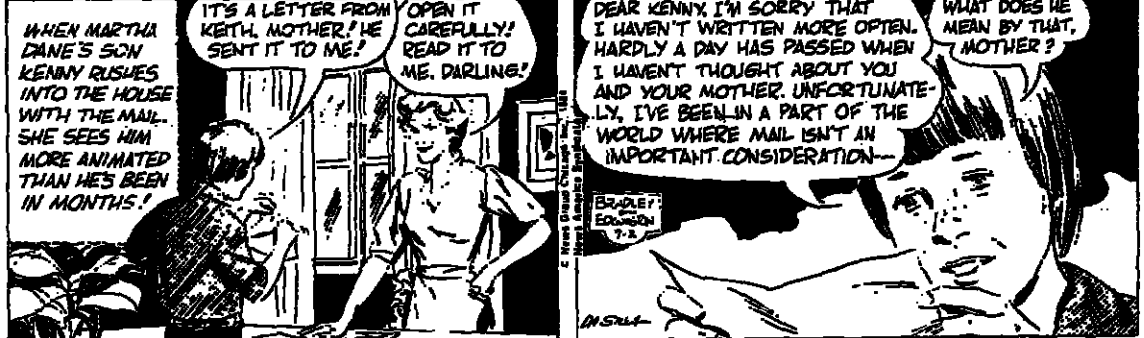
ANDY CAPP



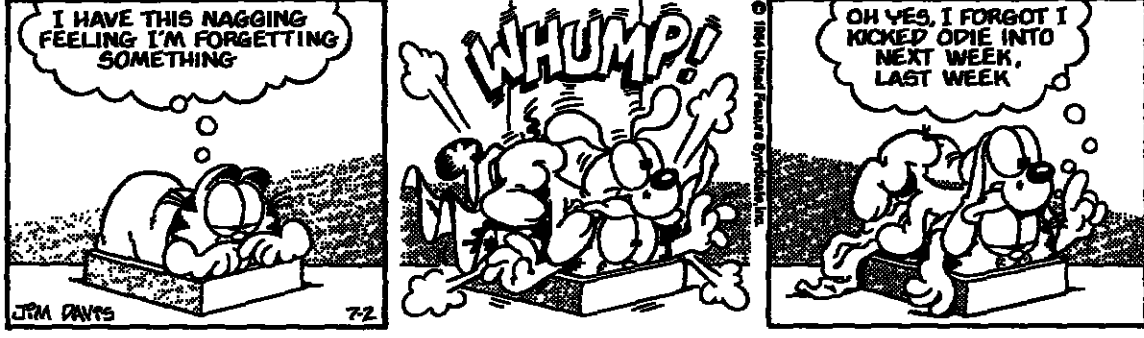
WIZARD of ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

YOOBT
DUMIO
ORTEIT
GUMPSY

Answer: THE KNACK TULIP NOZZLE CASHIE SNEAK OUT

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Aberdeen	12	8	Amman	22	18
Amsterdam	15	11	Ankara	28	24
Antwerp	16	12	Baghdad	32	28
Athens	22	18	Bangkok	32	28
Berlin	18	14	Bombay	32	28
Birmingham	17	13	Buenos Aires	28	24
Boston	18	14	Calcutta	32	28
Brussels	17	13	Chongqing	32	28
Buenos Aires	28	24	Cairo	32	28
Cardiff	17	13	Chengdu	32	28
Cebu	28	24	Chongqing	32	28
Dublin	17	13	Cincinnati	78	74
Edinburgh	16	12	Cleveland	78	74
Geneva	18	14	Columbus	78	74
Hamburg	17	13	Dallas	78	74
Helsinki	18	14	Denver	78	74
Hong Kong	28	24	Detroit	78	74
London	18	14	El Paso	78	74
Los Angeles	28	24	Fort Worth	78	74
Madrid	22	18	Galveston	78	74
Manchester	17	13	Houston	78	74
Moscow	22	18	Indianapolis	78	74
Munich	18	14	Jacksonville	78	74
Nairobi	28	24	Kansas City	78	74
Paris	18	14	Laredo	78	74
Perth	17	13	Las Vegas	78	74
Phoenix	18	14	Long Beach	78	74
Portland	17	13	Los Angeles	78	74
Rangoon	28	24	Memphis	78	74
San Francisco	18	14	Mobile	78	74
Seoul	28	24	Montgomery	78	74
Singapore	28	24	New Orleans	78	74
Taipei	28	24	Oakland	78	74
Tokyo	28	24	Omaha	78	74
			Philadelphia	78	74
			Pittsburgh	78	74
			Raleigh	78	74
			San Antonio	78	74
			San Diego	78	74
			San Jose	78	74
			San Juan	78	74
			Seattle	78	74
			St. Louis	78	74
			Tampa	78	74
			Washington	78	74
			Yokohama	28	24

SPORTS BRIEFS

Price Retains Lead in Canadian Open Golf

OAKVILLE, Ontario (AP) — Nick Price squandered a shot in the water on the 18th hole, but managed to retain a four-stroke lead Saturday after the third round of the Canadian Open Golf Tournament.

Palmer Up by One Stroke in Senior Golf

ROCHESTER, New York (UPI) — Arnold Palmer shot a 2-over-par 72 Saturday to maintain his lead after three rounds of the USGA Senior Open at the Oak Hill Country Club in Rochester.

Instructor Gives Information on Steroids

LOS ANGELES (LAT) — The coordinator of a U.S. Olympic Committee instructional program for shotputters and throwers of the discus, javelin and hammer said he has been dispensing information to help the athletes beat tests for anabolic steroids.

For the Record

El Gran Senor, crowned to victory in the Irish Sweep Derby at the Curragh Saturday. The 3-year-old colt, beaten by Secretariat in the English Derby a month ago, won by a length from Rainbow Quest, with Dargh Dair, (AP)

Friday's and Saturday's Line Scores

FRIDAY'S RESULTS	AMERICAN LEAGUE	NATIONAL LEAGUE
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1
Albuquerque 0-10	San Diego 4-1	San Francisco 4-1

BOOKS

LIZZIE
By Frank Spiering. 352 pp. \$17.95.
Random House, 301 East 50th St., New York, N.Y. 10022.

LIZZIE
By Evan Hunter. 430 pp. \$16.95
Arbor House, 235 East 45th St., New York, N.Y. 10017.
Reviewed by Thomas M. Disch

HERE, virtually yoked together by the coincidence of simultaneous publication, are two books about the United States' most acclaimed murderers (at least in the category of Family Tragedy), Lizzie Borden. Both are titled "Lizzie" and both agree that she was guilty, if not quite as charged, of the crime for which she has been so celebrated in history and light verse.



Lizzie Borden

Lizzie Borden took an ax
And gave her mother forty whacks;
When she saw what she had done
She gave her father forty-one.

BRIDGE

By Alan Truscott

ON the diagrammed deal, South played in four spades, and the defense took two heart tricks at the start. East shifted cunningly to the club nine, which was covered by the jack, queen and ace.

try for a partial elimination, though elegant, is mathematically a shade worse than the routine finesse.

NORTH	WEST	SOUTH (D)	EAST
♠ A 4	♠ K Q J 10 9 8 7 6 5 4 3 2	♠ A K Q J 10 9 8 7 6 5 4 3 2	♠ A K Q J 10 9 8 7 6 5 4 3 2
♥ 7 6	♥ A K Q J 10 9 8 7 6 5 4 3 2	♥ A K Q J 10 9 8 7 6 5 4 3 2	♥ A K Q J 10 9 8 7 6 5 4 3 2
♦ A K Q J 10 9 8 7 6 5 4 3 2	♦ A K Q J 10 9 8 7 6 5 4 3 2	♦ A K Q J 10 9 8 7 6 5 4 3 2	♦ A K Q J 10 9 8 7 6 5 4 3 2
♣ A K Q J 10 9 8 7 6 5 4 3 2	♣ A K Q J 10 9 8 7 6 5 4 3 2	♣ A K Q J 10 9 8 7 6 5 4 3 2	♣ A K Q J 10 9 8 7 6 5 4 3 2

Indians Down Rangers In 13-Inning Marathon

CLEVELAND — Brook Jacoby hit a line drive through a drawn-in infield with no one out in the bottom of the 13th inning Friday to give the Cleveland Indians a 13-12 victory over the Texas Rangers.

Friday Baseball

when George Vukovich lined a single off Tobik's glove into center field, then Jacoby hit Tobik's next pitch into the hole.

السلامة العامة

